

Social Compliance Audit Report

1. Audit overall information			
1.1 Audit Team:			
Client	xxx	Report No.	SCA04&050909 xxxx-V1
Factory	xxx	Agent	Na
Auditors	Henry & Simon – Vision	Audit Date	04&05-Sep-2009
Audited representatives	Mr. Li & Mr. Lu – Factory sales		
Audit Type	<input checked="" type="checkbox"/> Initial	<input type="checkbox"/> 1 st Follow up	<input type="checkbox"/> 2 nd Follow up
1.2 Audit Content / Result and overall Comment:			
Audit Content	Classification		
1 Child Labor / Young Labor	<input type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input checked="" type="checkbox"/> Fully Acceptable
2 Forced Labor	<input type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input checked="" type="checkbox"/> Fully Acceptable
3 Health & Safety	<input checked="" type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input type="checkbox"/> Fully Acceptable
4 Freedom of Association	<input type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input checked="" type="checkbox"/> Fully Acceptable
5 Discrimination	<input type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input checked="" type="checkbox"/> Fully Acceptable
6 Disciplinary Practices	<input type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input checked="" type="checkbox"/> Fully Acceptable
7 Working Hours	<input type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input checked="" type="checkbox"/> Fully Acceptable
8 Compensation	<input checked="" type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input type="checkbox"/> Fully Acceptable
9 Environment	<input type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input checked="" type="checkbox"/> Fully Acceptable
Overall Result :	<input checked="" type="checkbox"/> Nonconformance	<input type="checkbox"/> Observation	<input type="checkbox"/> Fully Acceptable
<p>Overall Comment:</p> <p>Xinyuan Travelling Goods Company Limited is a medium-sized private enterprise, there are 4 sub-factories. They main products includ Tents, shoes, hats, sleeping bag and other travelling products. This audit only for tent sub-factory. There are 760employees on the audit day, the area of tents factory is about 20000 M², there are 7 workshop buildings, 1 tailoring workshops and 3 sewing workshop, the output of this sub-factory is about 17,000,000pcs products per year.</p> <p>During the Audit we selected 10 workers for interview at a private room without factory management person present, the effective evidence were collected by interviewed workers.</p> <p>According to this audit, we found that the factory draw up many items which Compliance with the location law, but they still have some items do not compliance with the nation law, Such as: 1)The fire-fighting facilities at workshop do not meet the requirement; 2) The wage of workers is lower than the minimum one, etc...</p> <p>Generally speaking, the factory does not fully compliance with the nation law, this is a failed factory. But it has strength production ability, we believe that they can finish customer's order punctually and insure the quantity and quality if they can improve above problems.</p>			

2. Factory Information

2.1 Factory contact information:

Supplier Name	Na
Supplier Code	Na
Factory Name	XXXXXXXXXXXXXX
Physical Address:	XXXXXXXXXXXXXX
Postal Address	XXXXXXXXXXXXXX
Key Contact	Mr. Karl Liu
Position	Sales director
Phone No.	XXXXXXXXXXXXXX
FAX	XXXXXXXXXXXXXX
Email:	XXXXXXXXXXXXXX

2.2 Factory Operations:

Products Manufactured	OUT DOOR PRODUCTS / TRAVELLING GOODS
Production Capacity	15GROUP PRODUCTION LINE
Manufacturing Floors	about 20000 M2 and there are 7 workshop buildings
Dormitory Area	Without dormitory is provided for staff, but it provided in Headquarters.
Kitchen and Canteen	Without kitchen and Canteen is provided for staff, but it provided in Headquarters.
Production Process Flow	Purchase materials→Inspect materials→ Cutting →Stitching →Packing →Entering warehouse →Shipping out
Equipment used	3pcs Heat cutter; 4pcs Electric cutting machine
Subcontractor Factory Name(s) if any	Na
Other Brands in Factory	VANGO- to UK; SALEWA- to Germany ; FERRINO- to Italy ;

2.3 Functional Dep./Employees Details:

Staff Information Department.	Management	Staff		Permanent Workers	Temporary/con tract workers	Sub-total
		male	female			
Product development Dept.	12	8	4	/	12	12
Production Dept.	720	120	600	/	720	720
Quality Control Dept.	4	1	3	/	7	4
Engineering Dept.	5	5	/	/	5	5
Procurement Dept.	3	3	/	/	3	3
Sales Dep. / Marketing Dept.	5	3	2	1	4	5
Financial Dept.	7	3	4	/	7	7
Personnel Dept.	4	4	/	/	4	4
Others Dept.	Na	Na	Na	Na	Na	Na
Totals	760	147	613	1	759	760

3. Checklist

3.1 Child Labor / Young Labor:

S/N	Checking Item	Yes/No/Na	Comments
3.1.1	Does the factory have relevant document, e.g. worker manual or factory regulations to forbid the use of child labor and understand the requirements of local law?	Yes	These regulations have shown on staff instruction.
3.1.2	What is the legal youngest (minimum) age of workers?	Yes	16 Years
3.1.3	Does the factory keep adequate age documents of workers such as ID copies and personnel records?	Yes	The factory keep adequate age documents of workers based on the document review
3.1.4	Is there any evidence identified that child labor is now or has been employed in the past at the factory?	No	No child labor was found based on the document review, on-site audit or worker interview.
3.1.5	Does the youngest age of workers at the factory comply with local legal requirements	Yes	Based on the document review
3.1.6	Does the factory have effective procedures to verify the age of worker at the time of recruitment?	Yes	Based on the document review
3.1.7	Does the factory have a copy of valid regulations and laws on young worker protection OR understand its requirements?	Yes	Based on the document review
3.1.8	Is a separate register required by law for young workers?	Na	No young workers was found based on the document review, on-site audit or worker interview
3.1.9	Is separate register maintained for young workers?	Na	
3.1.10	Are juvenile workers requiring protective restrictions employed in strict accordance with the law? (E.g. working hours, wages, and physical exams.)	Na	
3.1.11	Does factory expose the young workers to the hazardous, unsafe, or unhealthy working situation in factory or outside factory?	Na	
3.1.12	Does factory arrange relevant safety and health training for young workers before they begin to work? Does factory arrange the body examination and registration for all the worker and pay the charge?	Na	
3.1.13	Are above findings confirmed through interview with workers?	Yes	Confirmed by workers interview.

Judgment:

☐ Legal / Code (Nonconformance)

☐ Observation (Need to Improve)

☒ Fully Acceptable

Comment:

This section's audit result is passed, no Non-conformance was found:

1. Legal/Code Non-conformance : NIL

2. Observation (Need Improvement) : NIL

3.2 Forced Labor:

S/N	Checking Item	Yes/No/Na	Comment
3.2.1	Does the factory have a copy of valid laws and regulations on forced labor OR understand its requirements?	Yes	The management understood its requirements based on the interview.
3.2.2	Are all workers present voluntarily at the factory?	Yes	Confirmed by the workers during interview.
3.2.3	Are workers free to leave after working hours?	Yes	Confirmed by the workers during interview.
3.2.4	Is any restriction placed on leaving after working hours?	No	No any restriction was identified.
3.2.5	Do workers work overtime voluntarily?	Yes	The workers confirmed the overtime was voluntary during the interview
3.2.6	Where dormitories are present, are workers required to live in the dormitories without freedom of choice to live outside the factory?	Na	The factory no dormitories as workers are the local
3.2.7	When workers are in dormitories, is there any restriction placed on workers' freedom of movement.	Na	The factory no dormitories as workers are the local
3.2.8	Are workers permitted time-off with doctor's certificate or note when sick or for maternity?	Yes	Confirmed by the workers during interview.
3.2.9	Are workers forced to work overtime?	No	No such evidence was identified.
3.2.10	Do all workers sign employment contracts with the factory?	Yes	Based on the document review and worker interview
3.2.11	Are employment contracts unfair or illegal?	Yes	Can not confirm as no employment contracts.
3.2.12	Does the factory enforce workers to work by using physical abuse, threaten or any restriction on freedom; OR enforce insult, physical abuse, verbal abuse or bag job to workers?	No	No such evidence was identified.
3.2.13	Is any evidence identified that security guards were used to coerce workers?	No	Based on site observation and workers interview, security guards were only responsible for the safety of the property.
3.2.14	Are workers required to lodge deposits such as illegal withholding of salary, training fee, employment broker fee, fee for tools, fee for uniforms, or original documents such as ID papers?	No	Based on factory rules review and workers interview, no deposit or other fee was required by the factory, and the workers kept the original documents such as ID cards by themselves.
3.2.15	Is any physical method used to limit freedom of workers during working hours such as surveillance cameras or locked exit(s)?	No	There was no locked exit during the working hours.
3.2.16	Is any evidence identified on the use of forced labor / prison labor?	No	No such evidence was identified.

Judgment:

☐ Legal / Code (Nonconformance)

☐ Observation (Need to Improve)

☒ Fully Acceptable

Comment:

This section's audit result is passed, no Non-conformance was found:

1. Legal/Code Non-conformance : NIL

2. Observation (Need Improvement) : NIL

3.3 Health & Safety

S/N	Checking Item	Yes/No/Na	Comment
3.3.1	Does the factory have a copy of valid laws and regulation on health and safety or understand its requirements?	Yes	The factory understood its requirements.
3.3.2	Is written health and safety policy posted and signed by top management?	Yes	Written health and safety policy was established in the factory.
3.3.3	Is safety committee established with members representing the various shifts, functions and levels (including the volunteer firehouse)?	No	There is only obligations fire group based on the management interview and the document review
3.3.4	Is a senior management representative for health & safety appointed?	Yes	Mr. Guo was responsible for health and safety issues.
3.3.5	Do factory arrange regular health and safety training for new workers and relegation workers, and keep the record?	Yes	based on the document review
3.3.6	Are accidents reported and recorded?	No	Without any record based on the document review and the interview
3.3.7	Does the factory keep injury / illness records such as daily injury and illness log, clinic records, injury statistics, illnesses report or any other safety statistics?	No	The factory did not implement accident analyst system, and no corrective action undertaken to prevent reoccurrence of accidents.
3.3.8	Are corrective actions taken to prevent recurrence of work related accidents?	No	The factory did not implement accident analyst system, and no corrective action undertaken to prevent reoccurrence of accidents
3.3.9	Does the factory have valid fire inspection certificates issued by local fire service authority?	Yes	The factory obtained the fire safety certificate.
3.3.10	Are fire exits and escape routes adequate at each factory floor? Does every enclosed work area have at least two exits per 500 workers?	Yes	Based on on-site observation.
3.3.11	Does factory install the safety evacuation marks, e.g. evacuation passage, exit mark with indication light, and route indication according the requirement of law?	No	Part of workshops has no evacuation channel planning and exit mark with indicator.
3.3.12	Are adequate emergency lights installed at each evacuation passage, exit and stair well?	Yes	Based on on-site observation.
3.3.13	Is any fire exit and escape route blocked or locked? Do emergency exit doors swing out during working time?	Yes	Based on on-site observation, fire exit and escape route no blocked
3.3.14	Are aisles between workstation wide enough for easy escape? (Approx 112 cm)? Is width of evacuation passage more than 1.4m?	No	Part of workshops has no evacuation channel planning
3.3.15	Are stairs of more than 3 steps equipped with handrails? Is height of the handrails higher than	Na	Factory has no stair.
3.3.16	Does door of evacuation exit in the workshop open out?	Yes	Based on on-site observation
3.3.17	Does the factory have adequate number of fire extinguishers at each factory floor? Does the number of fire extinguishers meet local legal requirements? (one fire extinguisher per 80s.q meter in workshop, and one per 100s.q meter in warehouse)	No	Every workshop is 2000m ² , but only 15 extinguishers; it should be more than 50.

3.3.18	Are all fire extinguishers inspected and tested regularly and ready to use at all times?	Yes	
3.3.19	Is an effective fire extinguishing system i.e. fire hydrant / fire hose or sprinkler installed at each factory floor and maintained properly?	No	No fire hydrant assemblies in storehouse.
3.3.20	Are all fire extinguishing systems inspected and maintained properly?	Yes	
3.3.21	Is fire and hazard early warning system such as smoke detector installed and regularly tested? Is the factory equipped with a working audible fire/evacuation alarm?	No	No system was installed
3.3.22	Are documented fire drills conducted regularly at least twice a year?	Yes	The factory conduct fire drill on 5 th – Jun-2009
3.3.23	Did any fire accident take place in the past 12 months at the factory?	No	Based on workers and management interview, no fire accident took place in the past 12 months.
3.3.24	Does the factory have valid inspection certificates for boilers, elevators, pressure vessels and other equipment per local regulation?	No	Factory has no these equipments.
3.3.25	Are the operators of above-mentioned equipment trained and qualified per local regulation?	No	Factory has no these equipments.
3.3.26	Is adequate guarding or devices installed for moving/rotating parts of machine, pulleys and belts or any other dangerous parts of machines?	No	Factory has no these equipments.
3.3.27	Is any instruction emphasized to prohibit loose clothing, jewellery or long hair near moving machinery?	No	Factory has no these equipments.
3.3.28	Are all electricians, welding operators and forklift drivers trained and qualified per local regulations?	Yes	Electrician of factory has license.
3.3.29	Are electrical safety procedures implemented effectively to ensure safety precautions such as grounding, discharging, and testing to be taken?	Yes	
3.3.30	Are all the electrical wires installed in fully acceptable condition and adequately protected? (eg. Boxes closes, no water damage evident, no hanging wires, wires are fully insulated, not spliced or bearing weight not crossing walkways, secured perimeter)	Yes	
3.3.31	Are electrical installations checked periodically and repairs carried out by competent electrician?	Yes	
3.3.32	Is hot work permit procedure implemented for welding, cutting and open flame operation at the factory?	Na	
3.3.33	Are all site buildings maintained in good condition in both physical surface and structure?	Yes	
3.3.34	Are dangerous/hazardous substances used or stored at the factory?	No	There is no chemical used in factory.
3.3.35	Are safety warning signs posted in areas where toxic chemicals are used?	Na	There is no chemical used in factory.
3.3.36	Are Relevant MSDS (Material Safety Data Sheets) displayed, visible to affected workers, and written in a local language?	No	There is no chemical used in factory.

3.3.37	Are chemicals stored away from work areas, toilets, cafeteria and open flames in secure, sealed containers (including secondary container if necessary), labeled in a language the workers understand, and in storage areas are ventilated?	No	There is no chemical used in factory.
3.3.38	Are appropriate personal protective equipment (PPE) such as goggles, glasses, gloves, earplug / muff, boots, or protective clothing provided at factory cost and in fully acceptable condition?	No	There is no chemical used in factory.
3.3.39	Do workers have immediate access (approx. 10 seconds) to eye-wash facilities that provide clean water? (where hazards dictate)	No	There is no chemical used in factory.
3.3.40	Is an air quality test done?	No	There is no chemical used in factory.
3.3.41	Is air quality test required by law?	No	There is no chemical used in factory.
3.3.42	Does the factory have a suitable working environment in respect of ventilation, temperature, lighting, cleanliness, and tidiness?	Yes	There are exhaust fan and air-conditioner at factory.
3.3.43	Does the factory arrange regular health examination for workers exposed to hazardous environment?	Na	
3.3.44	Are there adequate evidences confirming that the workers' health is not affected by hazardous factors?	Na	
3.3.45	Does the factory have any occupational health inspection certificate issued by local government authority?	Na	
3.3.46	Are adequate first aid kits located at each factory floor and marked with signs?	Yes	
3.3.47	Are adequate workers trained on first aid?	Yes	
3.3.48	How many trained first aiders are at the factory?	Yes	There are 7 first-aiders at factory
3.3.49	Is an in-house clinic/first aid station established with competent doctor/first aider employed at the factory?	No	Without these equipment
3.3.50	Is a nearby medical centre/hospital/clinic available to factory?	Yes	Based on the management and workers interview, a hospital was nearby about 800meters.
3.3.51	Is potable water accessible and adequate at each factory floor?	Yes	
3.3.52	Are lavatory facilities accessible, clean and reasonable in number at each factory floor?	No	Part of workshops have no cleaning room
3.3.53	Do lavatory facilities meet or exceed local requirements?	Yes	
3.3.54	Are toilets private and segregated for men and women?	Yes	
3.3.55	Are washbasins and water taps available AND adequate?	Yes	
3.3.56	Are the factory kitchen and canteen clean and hygienic with adequate facilities?	Yes	Confirmed by on-site observation.
3.3.57	Are kitchen and canteen subject to local government licensing?	No	The factory has no canteen and kitchen
3.3.58	If yes to 3.3.57, does the factory have such a permit or	No	The factory has no canteen and kitchen

	license?		
3.3.59	Are adequate evidences identified (such as health examination) that workers working in kitchen are suitable to food service?	No	The factory has no canteen and kitchen
3.3.60	Is there any food safety program established to ensure all the food and stuffs purchased from reliable sources?	No	The factory has no canteen and kitchen
3.3.61	Is any pest control program established and implemented effectively?	No	The factory has no canteen and kitchen
3.3.62	What is the average dormitory space per worker? Does it meet with local norms and standards?	No	No dormitory was provided for staffs.
3.3.63	How many workers per room?	No	No dormitory was provided for staffs.
3.3.64	Does the space per worker meet local laws or prevailing industry standards IF no local laws apply?	No	No dormitory was provided for staffs.
3.3.65	Is there adequate living space for each worker and meet the requirements of relevant local regulations?	No	No dormitory was provided for staffs.
3.3.66	Are recreation areas available at the dormitory?	No	No dormitory was provided for staffs.
3.3.67	Are kitchen facilities available in dormitory?	No	No dormitory was provided for staffs.
3.3.68	Are laundry facilities available in dormitory?	No	No dormitory was provided for staffs.
3.3.69	Is there an adequate supply of sanitary drinking water available to workers at adequate distance at dormitory?	No	No dormitory was provided for staffs.
3.3.70	Are there adequate toilets with hand basins available to workers at adequate distance at dormitory?	No	No dormitory was provided for staffs.
3.3.71	Are there adequate bathrooms available to workers at dormitory?	No	No dormitory was provided for staffs.
3.3.72	Are sanitary areas clean and hygienic with available washing facilities?	No	No dormitory was provided for staffs.
3.3.73	Are the dormitories clean, safe and well lit?	No	No dormitory was provided for staffs.
3.3.74	Are workers free to exit & re-enter dormitory freely?	No	No dormitory was provided for staffs.
3.3.75	Are any curfew hours set?	No	No dormitory was provided for staffs.
3.3.76	What are the curfew hours?	No	No dormitory was provided for staffs.
3.3.77	Are adequate security measures provided to protect workers at dormitory?	No	No dormitory was provided for staffs.
3.3.78	Does the dormitory buildings appear structurally sound and in acceptable repair?	No	No dormitory was provided for staffs.
3.3.79	Are dormitory exits unblocked and unlocked for emergency evacuation?	No	No dormitory was provided for staffs.
3.3.80	Are written dormitory rules posted?	No	No dormitory was provided for staffs.
3.3.81	Are the rules written in the language(s) the employees understand?	No	No dormitory was provided for staffs.
3.3.82	Are fire emergency evacuation plans posted at dormitory and understood by all workers?	No	No dormitory was provided for staffs.
3.3.83	Is any workers' dormitory located in the building of production and/or warehouse?	No	No dormitory was provided for staffs.
Judgment: <input checked="" type="checkbox"/> Legal / Code (Nonconformance) <input type="checkbox"/> Observation (Need to Improve) <input type="checkbox"/> Fully Acceptable			

Comment:

This section's audit result is failed; there are 2 findings for Non-conformance and 6 items for Observation as following.

1. Legal/Code Non-conformance :

Finding 1 (Refer to 3.3.3)

No safety committee is established in the factory. (Not comply with China safety production law, Article 4)

Finding 2 (Refer to 3.3.9)

No injuries / accidents registered (Not comply with Fire Prevention Law of the People's Republic of China, Article 10)

Finding 3 (Refer to 3.3.11 & 3.3.17 & 3.1.19)

1) No evacuation channel and exit mark with indicator light in part of workshop. (4.1.1 to 4.1.5)

2)Extinguisher is not enough, it do not meet the standard of 1/25m²

3) No fire-hydrant was assembled in store shop.

4)There is no evacuation alarm in all workshops.

(Not comply with Fire Prevention Law of the People's Republic of China, Article 14)

Above Findings have been confirmed with Factory and recorded on <<Corrective Actions Plan Report>>

3.4 Freedom of Association

S/N	Checking Item	Yes/No/Na	Comments
3.4.1	Does the factory have a copy of valid laws and regulations on trade union and freedom of association or understand its requirements?	Yes	Based on the management interview, the factory no understood its requirements.
3.4.2	Is workers' right to form and join free trade unions and workers' associations acknowledged by the management and workers?	Yes	
3.4.3	Is there a trade union formed at the factory?	Yes	
3.4.4	If yes to 4.3, is union membership voluntary?	Yes	Base on worker representatives.
3.4.5	If yes to 4.3, do workers elect their own representatives / spokesperson(s)?	Yes	Base on worker representatives.
3.4.6	If Yes to 4.5, specify name and title.	Yes	See photo
3.4.7	Is there a workers' association formed in the factory?	No	No such association at the factory.
3.4.8	If Yes to 4.7 do workers elect their own representatives / spokesperson?	Na	No such association at the factory.
3.4.9	If Yes to 4.8, specify name and title	Na	No such association at the factory.
3.4.10	Do worker representatives have access to members at workplace?	Yes	Base on worker representatives.
3.4.11	Is any evidence identified on disparate treatment between union/non-union workers?	No	Base on worker representatives.
3.4.12	Does the factory have a written policy and procedure to protect worker committee members, union supporters and/or Union representatives from retaliation?	Yes	No such written procedure was set up.
3.4.13	If restricted by law or if there is no formal workers union / association, does the factory facilitate parallel means such as worker committee?	Na	
3.4.14	For non-unionised factory, are fair and effective	Na	

	mechanisms to ventilate and resolve grievances of workers in place?		
34.15	Does the factory allow/permit workers to choose a representative from their own group to facilitate communication with senior manager?	Yes	
34.16	Does the factory encourage workers to formally join and carry out activities like complaints & resolutions of workers' grievances, health & safety related activities, worker – management activities on productivity, etc.?	Yes	
34.17	Has the factory experienced a strike, walkout, demonstration, or other significant conflict with employees within the last 12 months?	No	No such case occurred base on workers interview.
34.18	Do interviews with workers and representative(s) confirm the above findings?	Yes	Confirmed by workers interview.

Judgment:

☐ Legal / Code (Nonconformance)

☐ Observation (Need to Improve)

☒ Fully Acceptable

Comment:

This section's audit result is passed, no Non-conformance was found:

1. Legal/Code Non-conformance : NIL

2. Observation (Need Improvement) : NIL

3.5 Discrimination

S/N	Checking Item	Yes/No/Na	Comments
3.5.1	Does the factory have a copy of valid laws and regulations on non-discrimination or understand its requirements?	Yes	The factory has not got a copy of valid laws and regulations on non-discrimination.
3.5.2	Is any evidence identified on discrimination in employment, promotion, compensation, welfare, dismissal and retirement, etc.?	No	No related evidence
3.5.3	Does the worker employment reflect local ethnic/religious breakdown – no domination by one group?	Yes	Employment was based on individual experience and competence.
3.5.4	Do the supervisors in the facility reflect the ethnic/religious breakdown of the worker population?	Yes	No negative evidence was identified.
3.5.5	Do employment records show any evidence of discrimination – patterns of dismissal?	No	No such evidence was found.
3.5.6	Do workers have access to and are familiar with procedures for filing complaints about discrimination?	Yes	The workers could complain to the supervisors or senior manager directly.
3.5.7	Is equal salary for equal work for male and female workers implemented at the factory?	Yes	Verified by workers interview. The salary was paid based on the workers' performance and outputs.
3.5.8	Is there any evidence of sexual harassment, especially of	No	No such evidence was identified during the

	young female workers?		audit.
3.5.9	Is any evidence identified on discrimination through interview with workers, individual and collective?	No	No negative evidence on discrimination was identified during the interview.
Judgment: <input type="checkbox"/> Legal / Code (Nonconformance) <input type="checkbox"/> Observation (Need to Improve) <input checked="" type="checkbox"/> Fully Acceptable			
Comment: This section's audit result is passed, no Non-conformance was found: 1. Legal/Code Non-conformance : NIL 2. Observation (Need Improvement) : NIL			

3.6 Disciplinary Practices			
S/N	Checking Item	Yes/No/Na	Comments
3.6.1	Does the factory have a copy of valid laws and regulations on disciplinary practices or understand its requirements?	Yes	The factory understood its requirements.
3.6.2	Does the factory have documented disciplinary rules?	Yes	The factory established documented disciplinary rules.
3.6.3	Are the disciplinary rules communicated to all workers?	Yes	Disciplinary rules were written in the employees' handbook. Every worker was trained about it during the induction training.
3.6.4	Are the disciplinary rules fair, reasonable and legal or validated by local government authority?	Yes	By reviewing the disciplinary rules, it was fair and reasonable.
3.6.5	Does any evidence exist for mental / physical coercion?	No	No such evidence was found during the workers interview.
3.6.6	Is there any evidence of deductions from pay for Non-fulfilling production target or sickness with doctor's certificated or not?	No	No such evidence was found during the workers interview.
3.6.7	Are the worker's disciplinary actions recorded?	Yes	There is warning book and it meet with the law requirement of local.
3.6.8	Do workers have access to appeal in case of infractions / breaking of rules?	Yes	Workers could appeal to the supervisors directly.
3.6.9	Are deductions made from pay for infractions / breaking of rules?	No	No fines were identified based on the payrolls review and workers interview.
3.6.10	Is any disciplinary action taken if workers refuse overtime?	No	No such evidence was found.
3.6.11	If deductions are made from pay for infractions / breaking of rules, do they reduce pay to less than minimum wage?	No	No such evidence was found.
3.6.12	Are deductions from pay for infractions / breaking of rules legal?	Na	
3.6.13	If deductions from pay for infractions / breaking of rules are made, how is the money used?	Na	

36.14	Is the factory free of any citation, penalty from violation of laws and regulations in past 12 month?	No	No such evidence was found.
36.15	Do interviews with workers confirm above findings?	Yes	Confirmed by the workers during the interview.
Judgment: <input type="checkbox"/> Legal / Code (Nonconformance) <input type="checkbox"/> Observation (Need to Improve) <input checked="" type="checkbox"/> Fully Acceptable			
Comment: This section's audit result is passed, no Non-conformance was found: 1. Legal/Code Non-conformance : NIL 2. Observation (Need Improvement) : NIL			

3.7 Working Hours			
S/N	Checking Item	Yes/No/Na	Comments
37.1	Does the factory have a copy of valid laws and regulations on working hours or understand its requirements?	Yes	The factory understood the requirements on working hours.
37.2	How many regular hours are permitted by local law per day? (This does NOT include overtime)	Yes	Legal regular working hours are 8 hours per day and 40 hours per week.
37.3	How many regular hours are permitted by local law per week? (This does NOT include overtime)	Yes	Legal regular working hours are 40 hours per week.
37.4	How many regular hours are permitted by local law per month? (This does NOT include overtime)	Na	
37.5	How many overtime hours are permitted by local law per day?	Na	Max. 3 hours a day, 36 hours a month.
37.6	How many overtime hours are permitted by local law per week?	Na	
37.7	How many overtime hours are permitted by local law per month?	Na	Max. 36 hours a month.
37.8	Does the factory have a written policy on working hours, rest and vacations?	Yes	
37.9	Does the factory communicate the policy on working hours, rest and vacations to all workers?	Yes	Written working hours policy was posted in the workshop.
37.10	Does the working hours policy meet local laws and regulations?	Yes	
37.11	Are the working hours of individual workers recorded by time card or attendance record?	Yes	The factory records the workers' absence.
37.12	What is the factory's official scheduled working hours per week?	Yes	Factory's official scheduled is 5days per week.
37.13	Do the factory's official scheduled working hours per week meet local legal requirements?	Yes	
37.14	What is the factory's official scheduled working hours per month?	Yes	At least 1day for break pre week.
37.15	Do the factory's official scheduled working hours per	Yes	

	month meet local legal requirements?		
3.7.16	Do the workers have at least one day (24 consecutive hours) off in seven days?	Yes	10 workers' absence recording of 4-6 months has been checked.
3.7.17	What is the maximum number of working hours (including overtime) of individual workers per day?	11hours	10 workers' absence recording of 4-6 months has been checked.
3.7.18	Does the daily maximum number of working hours (including overtime) of individual workers meet local legal requirements?	Yes	10 workers' absence recording of 4-6 months has been checked.
3.7.19	What is the maximum number of working hours (including overtime) of individual workers per week?	50hours	10 workers' absence recording of 4-6 months has been checked.
3.7.20	Does the weekly maximum number of working hours (including overtime) of individual workers meet local legal requirements?	Yes	10 workers' absence recording of 4-6 months has been checked.
3.7.21	What is the maximum number of working hours (including overtime) of individual workers per month?	196	Based on the working time record review and interview with workers and management, the maximum number of working hours was 304hours per month
3.7.22	Does the monthly maximum number of working hours (including overtime) of individual workers meet local legal requirements?	Yes	
3.7.23	What is the average number of working hours (including overtime) of individual workers per day?	Yes	Based on the workers and management interview, the average number of working hour's was 10hours per day.
3.7.24	Does the average number of working hours (including overtime) per day of individual workers meet local legal requirements?	Yes	
3.7.25	What is the average number of working hours (including overtime) per week of individual workers?	48	Based on the workers and management interview, the average number of working hours was 50 hours per week.
3.7.26	Does the average number of working hours of individual workers (including overtime) per week meet local legal requirements?	Yes	
3.7.27	What is the average number of working hours (including overtime) per month of individual workers?	190	Based on the workers and management interview, the average number of working hours was 320 hours per month.
3.7.28	Does the average number of working hours of individual workers (including overtime) per month meet local legal requirements?	Yes	
3.7.29	Do workers have time for meal breaks?	Yes	1.5 hours for meal break
3.7.30	Do workers have time for rest breaks?	Yes	1.5 hours for rest breaks
3.7.31	Are there local legal requirements for meal breaks?	No	
3.7.32	Does the factory provide the legally required meal breaks?	Yes	
3.7.33	Are there local legal requirements for rest breaks?	Yes	
3.7.34	Does the factory provide the legally required rest breaks?	Yes	
3.7.35	Do local legal requirements regarding extra overtime hours require approval or permit?	Yes	The monthly overtime exceeded the legal limit, 36 hours a month. The maximum OT per month was 80 hours.
3.7.36	Does the factory have any valid written approval or permit	Yes	

on extra overtime hours from local labor authority?			
Judgment:	<input type="checkbox"/> Legal / Code (Nonconformance)	<input type="checkbox"/> Observation (Need to Improve)	<input checked="" type="checkbox"/> Fully Acceptable

Comment:

This section's audit result is passed; there is Non-conformance.

1. Legal/Code Non-conformance : NIL
2. Observation (Need Improvement) : NIL

3.8 Compensation

S/N	Checking Item	Yes/No/Na	Comments
3.8.1	Does the factory have a copy of valid laws and regulations on compensation and benefits or understand its requirements?	Yes	The factory understood its requirements.
3.8.2	Does the factory have written policy on compensation and benefits and communicate to all workers?	Yes	
3.8.3	Does the compensation and benefits policy meet local laws and regulations on working hours?	Yes	
3.8.4	What are the paid minimum wages at the factory?	No	The method of payment id by pieces.
3.8.5	Do all workers' wages meet local minimum wages?(including trainees / apprentices / workers in probation period)	No	Workers have not been paid as the lowest requirement of local by checking the salary record of 4-6 months.
3.8.6	Is the compensation calculation method communicated to all workers and understood by them clearly?	Yes	The interviewed employees had the knowledge of the calculation method.
3.8.7	Are the workers paid the legally required overtime rates and wages?	Yes	
3.8.8	Is all compensation paid to workers themselves in cash/cheque/direct to bank or any other method convenient to workers?	Yes	All workers were paid in cash.
3.8.9	Do all workers have the legal annual holiday with pay?	Yes	
3.8.10	Do all workers have the legal holiday, marry or funeral pay?	Yes	
3.8.11	Do female workers have the legal pregnant leave no less than 90 days with pay?	No	No this case
3.8.12	Do workers receive correctly calculated wages per local legal requirements?	Yes	
3.8.13	Are wage slips given to workers and they understand the wage-break up?	Yes	It was confirmed by workers interview.
3.8.14	Is there a sufficient system to let workers check / verify their wages?	Yes	
3.8.15	Are workers' wages deducted for any reason other than tax, social security?	No	
3.8.16	Are these deductions fair, reasonable and legal?	Yes	
3.8.17	Is the payment frequency legal?	Yes	
3.8.18	Does the factory withhold workers' wages for any reason	No	Confirmed by workers during the interview.

	other than usual government requirements?		
38.19	Is extra work to fulfill production target demanded without payment?	No	Confirmed by workers during the interview.
38.20	Is rework paid?	Yes	According to worker interview.
38.21	Is any evidence identified on payment in kind, e.g. food or products?	No	No such evidence.
38.22	Are all workers provided with social insurance per local legal requirements?	Yes	Confirmed by workers

Judgment:

☒ Legal / Code (Nonconformance)

☐ Observation (Need to Improve)

☐ Fully Acceptable

Comment:

This section's audit result is failed; there is 1 finding for Non-conformance as following:

1. Legal/Code Non-conformance : Finding 1 (Refer to 3.8.5)

Workers have not been paid as the lowest requirement of local by checking the salary record of 4-6 months.(China safety production law, Article 48)

2. Observation (Need Improvement) : NIL

Above Findings have been confirmed with Factory and recorded on <<Corrective Actions Plan Report>>

3.9 Environment

S/N	Checking Item	Yes/No/Na	Comments
3.9.1	Does the factory have all permits and licenses required by local laws or regulations?	Yes	
3.9.2	Does the factory generate wastewater?	Yes	Living wastewater was generated by the factory.
3.9.3	Where is wastewater discharged?	Yes	Living wastewater was discharged to sewer,
3.9.4	Is wastewater treated by the factory before discharge?	No	No need, Local authority accepts.
3.9.5	Is the factory in compliance with local law or regulation regarding wastewater discharge?	Yes	Local authority accepts.
3.9.6	Does the factory have a Waste Management Plan?	Yes	
3.9.7	Does the factory keep records of waste handling and disposal?	No	
3.9.8	How does the facility dispose of waste?	/	The disposal was approved by fine local authority.
3.9.9	Are dangerous/hazardous substances used or stored at the factory?	Yes	Gas and chemicals
3.9.10	Are these substances safely and securely stored?	Na	The factory has not substances
3.9.11	Does the factory maintain a written record of all use and movement of hazardous materials?	Na	
3.9.12	How are hazardous materials disposed of after use?	Na	
3.9.13	Are relevant employees trained in the safe use, handling, and disposal of hazardous materials?	Na	
3.9.14	When did the last training take place?	Na	
3.9.15	Is the factory compliant with local/national law?	Yes	Factory has certificates which published by local government.

3.9.16	Have there been any notices of deficiencies issued by government agencies in the past year? If, Yes, explain	No	No negative evidence was identified during the audit.
Judgment:	<input type="checkbox"/> Legal / Code (Nonconformance)	<input type="checkbox"/> Observation (Need to Improve)	<input checked="" type="checkbox"/> Fully Acceptable
Comment: This section's audit result is passed, no Non-conformance was found: 1. Legal/Code Non-conformance : NIL 2. Observation : NIL			

The Corrective and Preventative Action Plan Acknowledgement

Client:	Cascade	Report No.	VIS-CPAPAR04&050909 Xinyuan
Factory:	Yang Zhou Xin Yuan	Auditor Name:	Henry/Simon
Date:	04&05-Sep-2009	Factory Representative:	Mr. Lu

Item	Area Code	Findings	NC/ OB	Corrective & Preventative Action Plan Agreed by Factory	Completion Date	Key person
1	China safety production law, Article 4	No safety committee is established in the factory	NC	Factory should set up safety committee	2009 – 9 – 11	Mr. Lu
2	China Labor Law, Article 6	No injuries / accidents registered	NC	Factory should record the injuries and accidents.	2009 – 9 – 7	Mr. Lu
3	Fire Prevention Law of the People's Republic of China, Article 14	No evacuation channel and exit mark with indicator light in part of workshop. Extinguisher is not enough, it do not meet the standard of 1/25m ² No fire-hydrant was assembled in store shop. There is no evacuation alarm in all workshops.	NC	It should be have evacuation channel and exit mark with indicator light. Factory should had enough extinguisher and put it as requirement. Fire-hydrant should be assembled Evacuation alarm should be assembled	2009 – 9 – 20	Mr. Lu
4	China safety production law, Article 48	Workers have not been paid as the lowest requirement of local by checking the salary record of 4-6 months.	NC	Workers should be paid as the lowest of ancient.	2009 – 10 – 10	Mr. Lu

Remark:

- NC: Non-conformance issue
- OB: Opportunity for improvements
- A closing meeting has been performed, the above findings were discussed, and a corrective and preventative action plan was discussed.

Audit Reference Photos

1 Problem's Photos:



No exit mark with indicator light in part of workshop.



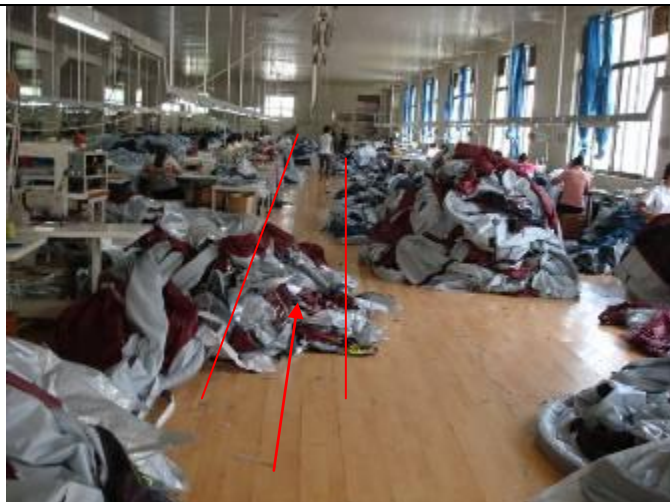
No exit mark with indicator light in part of workshop.



No exit mark with indicator light in part of workshop.



No evacuation channel in part of workshop.



No evacuation channel in part of workshop.

Na

2 Others Reference Photos:



Gate of headquarters



Guard room



Tents factory view



Guard room of Tents factory view



Trademark Ad



The road of factory building



The road of factory building



Warehouse



Warehouse



Gate of cutting workshop



Cutting workshop



Cutting workshop



Cutter machine



Cutting workshop -accessories process



Heat cutting accessories machine



Heat cutting accessories machine



Heat cutting accessories machine



Sewing workshop- 1



Sewing workshop-2



Sewing workshop-3



Sewing workshop-4



Sewing workshop-5



Product check after sewing - 1



Product check after sewing - 2



Product check after sewing-3



Clock in workshop



Toilet



Toilet



Drinking house



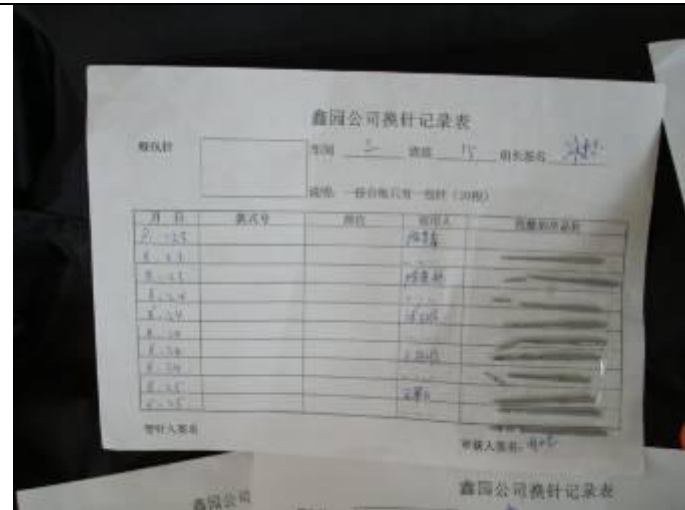
First-aid kit



First-aid kit



Shoes locker in sewing workshop



Needle exchanging record in sewing workshop



Fire equipment



Fire checking record



Evacuation plans



Power electric room



Sewing workshop



Packing workshop



Packing workshop



Finished product storehouse



Finished product storehouse



Workshop of develop department



Office of develop department



Display room



Display room



Display room



Display room



Certificates



Certificates



Business License



Business License



Joint in the aid of 5.12 Si Chuan earthquake

The end of report

Factory Signature By: KARL LU	Vision Auditor: Amey	Confirmed By : Simon
Date : 04&05 – 09 - 2009	Date : 04&05 – 09 - 2009	Date : 04&05 – 09 - 2009