

# Social Compliance Audit Report

Audit ID #: 10142251312

Audit Report Date: August 29, 2014

## **Factory Information**

Factory ID No.	N/A		
Factory Name:	Quanzhou Xiangfeng Bag Co Ltd		
Street Address Line 1:	No.142 Gulong South Road, Chitu Village, Nanhuan Road, Licheng District		
Street Address Line 2:	---		
City:	Quanzhou	State/Province:	Fujian
Zip Code:	362005	Country:	China
Contact Person Name:	Mr. Lin Haili	Telephone:	86-595-36613201
Contact Person Title:	Sales	Fax:	86-595-36613205

## **Compliance Audit Report**

Document Completed By:	<b>Audit Entered By (Name):</b> Keith Li	<b>Title:</b> Report Reviewer	<b>Date Audit Entered:</b> August 29, 2014
Factory Audited By:	<b>Audit Conducted By (Name):</b> Daisy Lu , Nick Lin	<b>Audit Organization:</b> BVCPS	<b>Date Audit Conducted:</b> August 25, 2014
	<b>Audit Type:</b> <input checked="" type="checkbox"/> Initial <input type="checkbox"/> 1st Follow-Up <input type="checkbox"/> 2nd Follow-Up <input type="checkbox"/> 3rd Follow-Up		<b>Tentative Audit Date:</b> August 25, 2014

<b>Number of Factory Workers:</b>	<input type="checkbox"/> Unable to Determine	<input checked="" type="checkbox"/> 101-250	<input type="checkbox"/> 1001-2500
	<input type="checkbox"/> 1-50	<input type="checkbox"/> 251-500	<input type="checkbox"/> 2501-5000
	<input type="checkbox"/> 51-100	<input type="checkbox"/> 501-1000	<input type="checkbox"/> Over 5000

**Audit Report Date:** August 29, 2014

**Overall Rating:**  Needs Improvement  Acceptable

**Agreed to and signed Corrective Action Plan Acknowledgement Report (CAPAR):**  Yes  No

Comments: Ms. Lin Haili / Sales signed the onsite CAP.

## Compliance Audit Report (Continued)

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**Access to Facility:**  Accepted  Denied

**If denied, explain:** Predetermined Comments:

- 1. Acceptable
- 2. Auditors attempted to conduct an audit and were denied access.
- 3. Other

Comments: Nil

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**Partial Access Denied?:**

***SKIP THIS SECTION – No longer applicable  
Do not enter any data in this field in Lotus Notes***

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**Percentage of the Factory's capacity devoted to production of Disney Products:**

- |                                 |  |                                  |
|---------------------------------|--|----------------------------------|
| <input type="checkbox"/> 0%     | <input type="checkbox"/> 31-40%            | <input type="checkbox"/> 71-80%  |
| <input type="checkbox"/> 1-10%  | <input checked="" type="checkbox"/> 41-50% | <input type="checkbox"/> 81-90%  |
| <input type="checkbox"/> 11-20% | <input type="checkbox"/> 51-60%            | <input type="checkbox"/> 91-100% |
| <input type="checkbox"/> 21-30% | <input type="checkbox"/> 61-70%            |                                  |
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**Overall Assessment:**

### Assessment Process

Assessment Type (Spot Check, Unannounced, Announced, GIFW, Observed Assessment): Announced Initial audit

Specify Code of Conduct Assessed (ex. Disney, ICTI or SA8000): Disney Code of Conduct

Monitoring Firm: BVCPS

Number of Monitors (ex. Due to the schedule conflict/limited manpower resources, the auditors from the audit team of the previous audit cannot conduct this follow-up audit): 2 (Daisy Lu , Nick Lin)

Name and Title of Others Present (ex. Translators, observers, trainees): NA

Status of Disney's Ethics Policy (Presented and explained, Signature Block Completed): During the opening meeting, the auditors presented and explained Disney's Ethic Policy to the factory representatives, Ms. Lin Haili / Sales

Number of Testing: 20 (10 samples selected from current month June 2014, 5 samples selected from April 2014 and December 2013 respectively)

Months of Work Attendance Records Reviewed: July 2013 to June 2014

Months of Payroll Ledgers Reviewed: July 2013 to June 2014

Number of Employees Interviewed: 10

Number of Employees/Group Interviewed: 0

Signing of the Confidentiality Agreement (Y / N): No

Resources Received from Facility (i.e. transportation, meals): Fast food of RMB 15 per auditor

Report Disney approved or not approved deviations from the ILS Audit Scope and Procedures and who, what, and why details (ex. number of auditors,

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different auditors assigned from previous audit, different number of testing from the requirement, and different number of interviews from the requirement, etc): Nil

**Facility Overview Information**

Facility Address: No. 142 Gulong South Road, Chitu Village, Nanhuan Road, Licheng District, Quanzhou, China

Contact Person: Ms. Lin Haili / Sales

Month and Year of Establishment: October 27, 2009

Numbers and Purpose (Administrative / Production / Dormitory) of Buildings: one 5-storey production building and one 6-storey production building

Product Type: Bags

Production Processes: cutting, sewing, inspection and packing

Current / Normal Employee Size by Employee Type: 206 employees include 80 males and 126 females. There were 163 production employees in the factory

Current / Past percentage of Disney Production: 50% / 50%

Other Brands Present: Hello Kitty & Ben 10

Peak / Low Production Months: No obvious

Facility Regular Hours / Shift: only one shift from 8:00 to 18:00 with a lunch break from 12:00 to 14:00

Pay Date: At the end of month

Name of the Licensee / Vendor: Quanzhou Xiangfeng Bag Co Ltd

Does the audit scope include additional locations? (Explain) No

Are these locations under the same business license? (Explain) N/A

Violations Categories:

1 Overtime hours

2 Social Benefits

3. Health and Safety

Comments / Observations: Nil

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**Communicated Findings with:**

Discussions regarding the Corrective Action Plan occurred with Ms. Lin Haili / Sales (Name & Title).

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**Child Labor:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Comments: No apparent violations

**Current Child Labor:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

Remark: Per documents review and employees' interview, auditors noted that the youngest employee in the factory were 18 years old.

**Young Persons**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Other:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Involuntary Labor:**  Acceptable  Needs Improvement  N/A  Unable to Verify  
Comments: No apparent violations

**Prison, Bonded, Indentured, Forced Labor:**

Acceptable  Needs Improvement  N/A  Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Mandatory Overtime:**

Acceptable  Needs Improvement  N/A  Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Other:**

Acceptable  Needs Improvement  N/A  Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Coercion and Harassment:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Comments: No apparent violations

**Physical Abuse or Sexual Harassment:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Other:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Non-Discrimination:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Association:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Minimum Wage:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

Remark: According to 20 sampled employees' payroll and timecard records (10 samples selected from June 2014, 5 samples selected from April 2014 and 5 samples selected from December 2013), auditors noted that employees were paid at least RMB 8.33 per hour which higher than legal required RMB6.72 per hour since August 1, 2013.

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**Overtime Wage:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

Remark: According to 20 sampled employees' payroll and timecard records (10 samples selected from June 2014, 5 samples selected from April 2014 and 5 samples selected from December 2013), auditors noted that



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employees were paid 150% of the normal wage for overtime work in weekday and 200% of the normal wage for overtime work in weekend. No overtime work was noted in statutory holiday.

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**Overtime Hours:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

9. Employees worked in excess of the limits allowed by the comprehensive work hour system.

Comments:

1. OH.#9. Auditors noted that the factory had obtained a written approval for adopting a Comprehensive Working Hours System with a valid period from July 1, 2013 to June 30, 2014 with a year as calculation cycle. Working hours were tested for 5 extra employees and the total working hours for 5 tested employees during this period ranged were 2530 hours, which exceeded the written approval's limit of 2432 hours.

Article 65 of the Instruction on the Implementation of the China Labor Law, enterprises which are approved to adopt the Comprehensive Working Hour System shall calculate working hours are comprehensively based on one week, one month, one quarter, or one year as a cycle. However, the average working hours for one day or one week shall be approximately equal to the statutory standard working hours.

Remark: According to 20 sampled employees' payroll and timecard records (10 samples selected from June 2014, 5 samples selected from April 2014 and 5 samples selected from December 2013), auditors noted that employees' maximum overtime working hours were 2 hours per weekday and 60 hours per month. The maximum working hours were 56 per week and the longest consecutively working days were 6 days.

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**Social Benefits**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

16. Not all employees receive all required social insurance benefits.

Comments:

1. SB.#16. According to the social insurance payment receipt provided by factory management, auditors noted that only 25 out of 206 employees were provided with pension, accident, unemployment, medical, maternity insurance in July 2014. All employees were provided with a commercial insurance with a valid from April 22, 2014 to April 21, 2015. And factory had obtained a waiver dated July 4, 2014 from the local social insurance authority to prove that the current social insurance

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scheme was in compliance with local requirements in terms of numbers of participating employees and types of insurance.

Article 73 of the Labor Law of the People's Republic of China, employees shall, in accordance with the law, be entitled to social insurance benefits under the following circumstances: (1) retirements; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) maternity.

The survivors of the insured laborers shall be entitled to subsidies for survivors in accordance with the law. The conditions and standards for laborers to enjoy social insurance benefits shall be stipulated by laws, rules and regulations. The social insurance amount that laborers and entitled to, must be timely paid in full amount.

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**Other  
Compensation**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Monitoring and  
Compliance:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Comments: No apparent violations

**Transparency:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Ethics:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Insufficient or Inadequate Records:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Other:**

Acceptable    Needs Improvement    N/A    Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Health and Safety:**  Acceptable  Needs Improvement  N/A  Unable to Verify  
Comments: No apparent violations

**Medical & First Aid:**

Acceptable  Needs Improvement  N/A  Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Personal Protective Equipment (PPE):**

Acceptable  Needs Improvement  N/A  Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Fire & Emergency Safety:**

Acceptable  Needs Improvement  N/A  Unable to Verify

Predetermined Comments:

73. Materials in the warehouse are stacked against posts and walls.

Comments:

1.HS.FES.#73. Auditors noted that gap between stacks and walls was 0 meter in the material warehouse, which was less than the legal requirement of 0.5 meter; moreover, gap between stacks and posts was 0 meter in the material products warehouse, which was less than the legal requirement of 0.3 meter.

Article 18 of Rules for Warehouse Fire Prevention Safety Management: The goods in warehouse should be classified for storage. The area occupied by any single stack should not be greater than 100 square meters. Space shall be at least 1 meter between stacks; Space shall be at least 0.5

meter between stacks and the wall; Space shall be at least 0.3 meter between stacks and beams or posts. The width of main passages shall be at least 2 meters.

**Machine & Electrical Safety:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

- 15. Equipment is not registered.
- 17. Machines are not equipped with safety devices.
- 38. Warning signs posted on electrical panels do not meet legal requirements.

Comments:

1. HS.MES.#17. Auditors noted that the transmission belts of 10 out of 190 sewing machines in the sewing workshop were not equipped with pulley guards and 3 out of 30 high sewing machines were not equipped with eye protection system.

Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene, the exposed dangerous components or part of any transmission belts, rotational axis, transmission chain, coupling, belt wheel, gear, flying wheels, chain wheels, electric saw and others, which is within 2 meters height of the plane where the operator is operating such devices shall be equipped with safety devices.

- 2.HS.MES.#38. Auditors noted that the warning sign was marked on electricity connection boxes in the packing department. However, the graphic border of 1 out of 4 warning sign was round-shaped, which was not compliance with the national standard of triangular-shaped and partial of sign were red, which was not compliance with the national standard of black.

Article 2-7 of Warning Sign in the Guidelines for Safety Signs and Usage GB 2894-2008, the electric shock warning sign should be marked on electricity devices and circuit where electric shock may happen.

- 6.2 The material of signs: Safety signs should be made of durable material. The materials which will be deformed or deteriorated when wet and flammable material are generally should not be used. The insulation material should be used at workplace where there is risk of electric shock.

3. HS.MES.#15. Auditors noted that the factory stopped using one cargo lift in production building for one year. But the factory management failed to provide either the suspended using registrations or the safety inspection reports for the cargo lift.

Article 27 of Rules of registration and usage of special equipment, when the property units or the using units decide to suspend using the special equipment for more than 1 year, they shall transact the suspended using

procedure with the department of safety supervision that registered that equipment for record. The special equipment is not required to be regular inspected when they are in suspended period after confirmation. The special equipment is still required to be regular inspected according the original planning when they are suspended using for more than 1 year without suspended using registration records with department of safety supervision or are suspended using for less than 1 year.

**Hazardous Material:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Sanitation:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Other:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Dormitories:**       Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

2. N/A

Comments: No dormitory was provided to employees in the factory

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**Protection of the Environment:**       Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Subcontracting:**       Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

2. N/A

Comments: No subcontracting was noted

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**Other Laws (if applicable):**

Acceptable     Needs Improvement     N/A     Unable to Verify

Comments: No apparent violations

**Labor Contract:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

**Other:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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**Publication:**

Acceptable     Needs Improvement     N/A     Unable to Verify

Predetermined Comments:

1. Acceptable

Comments: No apparent violations

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