

ILS Social Compliance Audit

Audit ID #: 10161750754 **Date Audit Conducted:** 2016/July/12
Yr/Mo/Day

Code Conducted to: Disney **Audit Report Date:** 2016/July/18
Yr/Mo/Day

Audit Type: Initial First F/U Second F/U Third F/U Other F/U

Facility Information

Facility ID No.: Not Provided

Facility Name: Hangzhou Changda Can Tool Co., Ltd.

Address Line 1: Xuanshanxia Industrial Park, Heshang Town

Address Line 2: Xiaoshan District

Address Line 2:

City: Hangzhou **State/Province:** Zhejiang

Town: **Country:** China

Postal Code: 311265 **GPS Location:** N/A

Contact Last Name: Jianlin **Contact First Name:** Kong

Primary Email: kwy@zjmarketin.com **Telephone:** 86-0571-82308538

Contact Person Title: General Manager **Fax:** 86-0571-82302760

Name/Address/Ownership Updates

Facility Name:

Facility Address:

Facility Ownership Update:

Upcoming Relocation or Expansion:

Audit Team

Audit Firm: BVCPS

Lead/ Exclusive Auditor: James Cheng

Number of Auditors: 2

Audit Team Member 1: Happy Yang **Audit Team Member 2:**

Audit Team Member 3: **Audit Team Member 4:**

Audit Team Member 5: **Audit Team Member 6:**

Audit Team Member 7: **Audit Team Member 8:**

Audit Details & Assessment

Facility Details

Access to Facility: Accepted Denied Denied by phone Unable to Access – No fault of facility

Predetermined Comments Acceptable
 Auditors attempted to conduct an audit and were denied access.
 Other

Additional Comments: Nil

Current % Capacity Devoted to Disney: 40% **Past % Capacity Devoted to Disney:** 40%

Products Produced: Disney Tin Box

Disney Products Observed: Mickey, Frozen Princess, The Lion Guard

Production Processes: Cutting, Pressing, Packing

Total Employees: 138 **#Production Employees:** 104

Buildings: 4

Buildings by Purpose: 1/ Pressing, Cutting, Packing, Raw material warehouse
2/ Pressing, Semi-finished and finished goods warehouse

3/ mold warehouse, office, dormitory

4/ Canteen

Peak Production Months:

- | | | |
|--|---------------------------------|------------------------------------|
| <input type="checkbox"/> Unknown | <input type="checkbox"/> April | <input type="checkbox"/> September |
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> May | <input type="checkbox"/> October |
| <input type="checkbox"/> January | <input type="checkbox"/> June | <input type="checkbox"/> November |
| <input type="checkbox"/> February | <input type="checkbox"/> July | <input type="checkbox"/> December |
| <input type="checkbox"/> March | <input type="checkbox"/> August | |

Low Production Months:

- | | | |
|--|---------------------------------|------------------------------------|
| <input type="checkbox"/> Unknown | <input type="checkbox"/> April | <input type="checkbox"/> September |
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> May | <input type="checkbox"/> October |
| <input type="checkbox"/> January | <input type="checkbox"/> June | <input type="checkbox"/> November |
| <input type="checkbox"/> February | <input type="checkbox"/> July | <input type="checkbox"/> December |
| <input type="checkbox"/> March | <input type="checkbox"/> August | |

Facility Regular Hours:

N/A

Facility # of Shifts/Hours

8:00-11:30 12:30-17:00
(Oct., 1st - May., 31th)

7:30-11:00 12:30-17:00
(Jun., 1st - Sept., 30th)

Other Brands Present?

ASL, Regency Teas Ltd, Linka Wittig GmbH

Establishment Date: Yr/Mo/Day

2000/06/23

Audit Details

Attendance Records Reviewed:

- | | | |
|---|--|---|
| <input type="checkbox"/> Unknown | <input type="checkbox"/> April | <input checked="" type="checkbox"/> September |
| <input type="checkbox"/> None | <input checked="" type="checkbox"/> May | <input type="checkbox"/> October |
| <input checked="" type="checkbox"/> January | <input checked="" type="checkbox"/> June | <input type="checkbox"/> November |
| <input type="checkbox"/> February | <input type="checkbox"/> July | <input type="checkbox"/> December |
| <input type="checkbox"/> March | <input type="checkbox"/> August | |

Payroll Ledgers Reviewed:

- | | | |
|---|---|---|
| <input type="checkbox"/> Unknown | <input type="checkbox"/> April | <input checked="" type="checkbox"/> September |
| <input type="checkbox"/> None | <input checked="" type="checkbox"/> May | <input type="checkbox"/> October |
| <input checked="" type="checkbox"/> January | <input type="checkbox"/> June | <input type="checkbox"/> November |
| <input type="checkbox"/> February | <input type="checkbox"/> July | <input type="checkbox"/> December |

	<input type="checkbox"/> March	<input type="checkbox"/> August	
Last Pay Date: Yr/Mo/Day	2016/06/15	Number of Records Sampled:	20
# Individual Employee Interviews:	10	# Employee Group Interviews:	0
Numbers per Group:	N/A		
Additional Locations Audited?	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes; Locations not under same business license	
	<input type="checkbox"/> Yes; Location under same business license	<input type="checkbox"/> Yes; unknown	
Explain Additional Location Details:	NIL		
Comments/Observations:	NIL		
Communicated Findings With:	Mr. Kong Jianlin		
Agreed to and Signed CAPAR?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Unknown
Audit Entered by: (Name)	Nina Chen		

Comments Details

Comments:

Name and Title of Others Present (ex. translators, observers, trainees): Nil

Attendance Records Provided: 13/June 2015-June 2016

Payroll Records Provided: 12/June 2015-May 2016

Number of Records Sample: 20/10 current, 5 random, 5 random

Resources Received from Facility (i.e. transportation, meals): Lunch and transportation, Factory was paid RMB15/person for lunch and RMB 70 for dropping auditors to the nearby subway station.

Factory Representative in opening meeting (name/title): Kong Jianlin/General Manager, Hu Chunya/Admin Assistant

Factory Representative in closing meeting (name/title): Kong Jianlin/General Manager, Hu Chunya/Admin Assistant

Audit Violations

Age Requirement

Child Labor:
 Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Remarks:

1. Local minimum age standard: 16 years old
2. Minimum age of the factory's employees: 18 years old

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Young Persons:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Association: Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Coercion and Harassment:

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Physical Abuse or Sexual Harassment:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Compensation: Minimum Wage:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Remarks:

Local minimum wage standard: (wage per hour or per month): RMB 1860/month or RMB 10.69/hour since November 1st, 2015; RMB 1650/month or RMB 9.48/hour since August 1st, 2014.

Minimum wage paid by factory to workers: RMB 10.69/hour in January and May 2016 and RMB 9.48/hour in September 2015

Overtime Hours:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Employees work in excess of the legal overtime limit.

Law / Code: Article 41 of the Labor Law of the PRC, after consultation with the trade union and employees, the employer may extend working hours due to its production or business needs, but the extended working hours shall not generally exceed one hour a day; in special circumstances that require an extension of working hours, the extended working hours shall not exceed 3 hours a day and 36 hours a month on condition that the health of employees is guaranteed.

Additional Comments: Auditors noted that 25 out of 25 sample population employees worked in excess of the statutory overtime hour limits.

A review of 25 sample population employees' time records (5 samples from September 2015, 5 samples from January 2016, 10 samples from May 2016, and 5 samples from June 2016) yielded the following:

(1) 5 out of 5 sample population employees worked in excess of 36 overtime hours per month (i.e. 84 hours) in September 2015, which was not in compliance with the legal requirement;

(2) 5 out of 5 sample population employees worked in excess of 36 overtime hours per month (i.e. 44 hours) in January 2016, which was not in compliance with the legal requirement;

(3) 10 out of 10 sample population employees worked in excess of 36 overtime hours per month (i.e. 50 to 52 hours) in May 2016, which was not in compliance with the legal requirement.

(4) 5 out of 5 sample population employees worked in excess of 36 overtime hours per month (i.e. 54-56 hours) in June 2016, which was not in compliance with the legal requirement.

Remarks:

1.Attendance Recorded by: (automated/electronic, timecard, manual, no recording, etc.): IC Card

2. According to the attendance record provided by the factory, maximum overtime hours were 2 hours in a regular day, 8 hours in a rest day; , maximum overtime hours in a month were 84 hours, maximum weekly working hours were 58 hours and maximum consecutive working days were 6 days.

Overtime Wage:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Remarks:

Overtime wage paid by the factory: All 20 sampled employees were paid 150% and 200% of their normal working wages for all overtime hours worked on regular working days and rest days respectively, and overtime in statutory holidays was paid 300% of their normal working wages, which was in compliance with legal requirement.

Social Benefits and Other Compensation:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Employees are not provided with legally mandated benefits.

Law / Code: 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.

Additional Comments: According to the social insurance payment receipt provided by factory management, it was noted that only 40 out of 120 employees were provided with pension, illness, unemployment, maternity and accident insurance in May 2016. Remarks: other employees were provided with group accidental insurance valid from May, 5th, 2016 to May, 4th, 2017.

Remarks:

1. Regular Pay Date: 15th of each month
2. Wage pay in/by (cash, check, direct deposit, etc.): cash

Health and Safety:

Dormitories:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Dormitories are located in the same building as production areas and/or warehouses.

Law / Code: Article 3.3.8 of the Code for design of building fire protection and prevention

(GB50016-2006), employee dormitory is not allowed to locate in production workshop.

3.3.15 Employee dormitory is not allowed to locate in warehouse.

Additional Comments: Auditors noted that half of the 1st floor of the office and dormitory combined building was used as a mold warehouse and the 3rd floor, 4th floor and 5th floor of the building was used as employee dormitories.

Fire & Emergency Safety:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

One or more emergency exit doors are rolling or sliding doors, or do not open in the direction of the evacuation path.

Law / Code: Article 7.4.12 of the Code for design of building fire protection and prevention (GB50016-2006), the evacuation door in the building shall meet the following requirements:

1. The evacuation door in the civil building and factory building shall be opened to the evacuation direction. Except for Classification A, B production building, there is no restriction on the opening direction of the door if there are no more than 60 persons in the room and the average evacuation capacity of each floor is no more than 30 persons.
2. The evacuation door of the civil building and factory shall be side-hung door, and shall not be sliding door, roller shutter, overhung door or revolving door.
3. The evacuation door of storage shall be side-hung door to the evacuation direction. Sliding door or roller shutter may be used at the outside surface of the wall on the first floor. Sliding door or roller shutter shall not be used in Classification A, B storage.
4. The evacuation door that needs to be controlled for people going in and out at will in densely populated place or the outdoor of the residential building controlled by electric devices shall be opened easily from the inside without using any tools such as key etc. in case of fire. Signs and operation explanation shall be labeled at the well-marked place.

Additional Comments:

Auditors noted that the evacuation doors used at one out of two safety exits on the first floor of the No.1 production building, and one out of two safety exits on the first floor of No.2 production building were rolling doors. Evacuation doors used at two out of two safety exits of the packing workshop were sliding doors.

Remark: the factory has corrected part of it prior to the end of the audit. (Rolling door of the No.1 production building was removed; fixed device was installed to keep the rolling door open in the No. 2 production building.)

Hazardous Material:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Chemicals are not properly stored or marked.

Law / Code: Article 14 of the Regulation For Chemical Usage Safety in Work Place:
(1) In case of transferring or loading the chemicals purchased into a new container, it is required to mark clearly the descriptions of these chemicals on the newly adopted container. As to those hazardous chemicals that have been transferred or loaded into a new container, it is necessary to stick a safety precautions mark on the new container. (2) The original safety precautions mark upon those containers that contain hazardous chemicals shall not be replaced before these containers have been cleansed.

Additional Comments: Auditors noted that 1 out of 1 thinner container being used in the pressing workshop on the 1st floor of the No.1 production building was not posted with safety label.

Secondary containment is not provided for chemicals.

Law / Code: Article 20 of Regulation for Safety of Hazardous Chemical, an entity producing or storing hazardous chemicals shall, according to the category and dangerous properties of the hazardous chemicals it produces or stores, set up monitoring, controlling, ventilation, sun-proof, temperature-controlled, fireproof, firefighting, blast-proof, pressure discharging, poison-proof, neutralizing, moisture-proof, lightning-proof, static-proof, antiseptis, and anti-leakage safety facilities or equipment, such as protection dams and segregated operations, etc. at the work places, and maintain them on a routine basis according to the national standards, industrial standards or relevant state provisions so as to guarantee the normal functioning thereof.

Additional Comments: Auditors noted that there was no secondary container in the pressing workshop on the 1st floor of the No.1 production building for thinner (hazardous chemical).

Machine & Electrical Safety:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Electrical panels are obstructed or are not fenced or equipped with protective covers.

Law / Code: Article 6.7 of the General Guide for Safety of Electric User, electric circuit in use must have sufficient insulation strength, mechanical strength and conductive capability and shall be checked regularly.

Additional Comments: Auditors noted that 1 out of 10 of electric switches in pressing workshop of the No.1 production was exposed without insulation protective device. Remarks: the factory installed an insulation cover prior to the end of the audit.

Electrical safety warning signs are not posted or insufficiently posted as required by law.

Law / Code: 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.

Additional Comments: Auditors noted that no warning sign was marked on 1 out of 10 electricity area switch boxes in the first floor of the No.1 production building.

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

A valid building inspection report and/or certificate for completed construction projects are not provided for review.

Law / Code: Article 49 of Regulation on the Quality Management of Construction Projects, the project owner shall, within 15 days from the day when the construction project passes the completion-based check, submit the completion-based check report, the approval or licensed use documents issued by the departments of planning, public security and fire prevention, environmental protection, etc. to the construction administrative department or other pertinent departments for archival purposes.

Additional Comments: Auditors noted that factory management was unable to provide the certificate of inspection for completed building construction projects for review. The factory buildings were completed during 2010 and 2014.

Remarks: the factory provided the real estate certificate of the buildings for review.

Occupational health examinations are not provided to employees as required.

Law / Code: Article 36 Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, for the laborers that are engaged in the operations contacting the harm of occupational diseases, the employing work unit shall organize the occupational health examination of the laborers before they take the posts, when they are at the posts and when they leave the posts, the employing work unit shall inform the laborers of the examination results. The employing work unit shall afford the expenses needed for the occupational health examination.

The employing work unit may not assign the laborers that haven't gone through the pre-post occupational health examination to undertake the operations involving the harm of occupational diseases; may not assign the laborers that have occupational contraindications to undertake the operations that they shall avoid; the laborers that are found to have the health injuries related to their posts during the occupational health examination shall be transferred from their former posts and be settled appropriately; and the employing work unit may not cancel or terminate the labor contracts signed with the laborers that haven't gone through the occupational health examination before they leave their posts.

The occupational health examination shall be undertaken by the medical health institutions approved by the administrative departments of health of the people's governments at the provincial level and above.

Additional Comments: Auditors noted that the factory did not provide regular occupational health checks to employees in pressing workshop who were in contact with noise.

Remarks: factory management explains that employees already took occupational health examination, but they need a few more days to get the report from the hospital.

Personal Protective Equipment (PPE):

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Employees are not provided with proper Personal Protective Equipment (PPE) or do not wear them properly.

Law / Code: Article 42 of Law of the People's Republic of China on Production Safety, business entities must provide their employees with labor protection products meeting the national or industry standards, and supervise and educate their employees on wearing or using such products in accordance with the rules of use.

Additional Comments: Auditors noted that 1 out of 30 employees in pressing workshop did not wear the earplug provided by factory management.

Sanitation:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Involuntary Labor:

Mandatory Overtime:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Prison, Bonded, Indentured, Forced Labor:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Monitoring and Compliance:

Ethics:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Insufficient or Inadequate Records:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Transparency:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Non-Discrimination:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Other Laws (if applicable):

Labor Contract:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Protection of the Environment:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Publication:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violation

Subcontracting:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Production processes are subcontracted to another facility or another source without Disney's written consent.

Law / Code: Disney Code of Conduct: Manufacturers will not use subcontractors for the manufacture of Disney's merchandise or components thereof without Disney's express written consent, and only after the subcontractor has entered into a written commitment with Disney to comply with this Code of Conduct.

Additional Comments: Auditor confirmed that Hangzhou Changda Can Tool Co., Ltd. subcontracted the Disney-branded production during the last 12 months. See below details:

- Disney ILS #: Not provided
- This is a facility.
- Name: Hangzhou Xiaoshan Jiangnan Tin Printing & Manufacturing Co., Ltd
- Full Address: New Huangshan Village, Wenyan Town, Xiaoshan District, Hangzhou
- Contact Person's Name: Mr. Sun Qunfang
- Contact Person's Phone Number: 13758130198
- The subcontracted process or components with Disney intellectual property: Printing process which includes Disney logo. Eg. Mickey, Frozen Princess, The Lion Guard.