

ILS Social Compliance Audit

Audit ID #: 10163260852 **Date Audit Conducted:** 2016/Dec/19
Yr/Mo/Day

Code Conducted to: Disney **Audit Report Date:** 2016/Dec/23
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: Ningbo Swan Sports Appliance Manufacturing Co., Ltd

Address Line 1: Yufan Village, Jiaochuan Street, Zhenhai, Ningbo

Address Line 2:

Address Line 2:

City: Ningbo **State/Province:** Zhejiang

Town: N/A **Country:** China

Postal Code: 315207 **GPS Location:** N/A

Contact Last Name: Fang **Contact First Name:** Peizhu

Primary Email: tian_e@163.com **Telephone:** 0574-86365888

Contact Person Title: General Manager **Fax:** 0574-86365666

Name/Address/Ownership Updates

Facility Name:

Facility Address:

Facility Ownership Update:

Upcoming Relocation or Expansion:

Audit Team

Audit Firm: BVCPS

Lead/ Exclusive Auditor: Joy Hu

Number of Auditors: 2

Audit Team Member 1: Abby Wang

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: 0% **Past % Capacity Devoted to Disney:** 0%

Products Produced: Roller skate

Disney Products Observed: N/A

Production Processes: Cutting, injection molding, printing, sewing, assembly, packing

Total Employees: 99 **#Production Employees:** 60

Buildings: 2

Buildings by Purpose: 1/ office, warehouse, cutting, assembly, printing, sewing
2/ injection molding workshop, warehouse

Remark: The fourth floors of the two buildings were being built on the audit date.

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

1 shift/ 7:30-11:30, 12:30-16:30

Other Brands Present?

Not provided

Establishment Date: Yr/Mo/Day

2005/Jan/24

Audit Details

Attendance Records Reviewed:

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

Last Pay Date: Yr/Mo/Day

2016/Dec/15

Number of Records Sampled:

20 samples of payroll and attendance records

Individual Employee Interviews:

10

Employee Group Interviews:

0

Numbers per Group:

N/A

Additional Locations Audited?

☒ No

☐ Yes; Location under same business license

☐ Yes; Locations not under same business license

☐ Yes; unknown

Explain Additional Location Details:

Comments/Observations:

Communicated Findings With:

Ms. Fang Peizhu

Agreed to and Signed CAPAR?

☒ Yes

☐ No

☐ Unknown

Audit Entered by: (Name)

Alex Jiang

Comments Details

Comments: Nil

Name and Title of Others Present (ex. translators, observers, trainees): N/A

Attendance Records Provided: December 2015 to November 2016

Payroll Records Provided: December 2015 to November 2016

Number of Records Sample: Current: 10, Random: 5, Random: 5

Resources Received from Facility (i.e. transportation, meals): Meal and transportation was provided by the factory and the fee was paid to the factory.

Factory Representative in opening meeting (name/title): Ms. Fang Peizhu/ General Manager

Factory Representative in closing meeting (name/title): Ms. Fang Peizhu/ General Manager

Audit Violations

Age Requirement

Child Labor:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Remarks:

1. Local minimum age standard: 16;
2. Minimum age of the factory's employees: 21.

Other:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Young Persons:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Association:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Coercion and Harassment:

Other:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Physical Abuse or Sexual Harassment:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Compensation: Minimum Wage:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Remarks:

Local minimum wage standard: (wage per hour or per month): RMB 10.69 per hour or RMB 1860 per month since November 1, 2015

Minimum wage paid by factory to workers: RMB 1900 per month in May 2016, July 2016, November 2016

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 20 out of 20 sample population employees worked in excess of the statutory overtime hour limits.

A review of 20 sample population employees' time records (10 samples from November 2016, 5 samples from July 2016 and 5 samples from May 2016) yielded the following:

- (1) 10 out of 10 sample population employees worked in excess of 36 overtime hours per month (i.e. 76 hours) in November 2016, 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. 82 hours) in July 2016, which was not in compliance with the legal requirement;
- (3) 5 out of 5 sample population employees worked in excess of 36 overtime hours per month (i.e. 84 hours) in May 2016, which was not in compliance with the legal requirement.

Remarks:

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

Auditors noted according to provided payroll and attendance records that the maximum overtime hours were 2 hours per day and 84 hours per month, maximum weekly working hours were 58 hours and maximum consecutive working days were 6 days. All above was in compliance with legal and client's requirements.

Overtime Wage:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Remark: Auditors noted according to provided payroll and attendance records that all sampled employees were compensated 150% of normal wages for overtime on weekdays and 200% of normal wages for overtime on rest days, which was in compliance with legal requirement. No overtime in statutory holidays was noted.

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 77 out of 98 employees were provided with pension, accident, unemployment, medical and maternity insurances in October 2016. The factory provided rest 21 employees with group commercial accident insurance from December 16, 2016 to December 15, 2017.

Remarks:

Regular Pay Date: before 15th per month

Wage pay in/by (cash, check, direct deposit, etc.): cash

Health and Safety:

Dormitories:

☐ Acceptable ☐ Needs Improvement ☒ N/A ☐ Unable to Verify

Predetermined Comments:

☒ N/A

Law / Code:

Additional Comments: The factory did not provide dormitory for the employees.

Fire & Emergency Safety:

☐ Acceptable ☒ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Evacuation paths and/or stairwells are obstructed or are too narrow for passage.

Law / Code: Article 3.7.5 of Code for Fire Protection Design of Buildings: The width of the evacuation staircase, passage and door of an industrial building shall be calculated according to the specifications of Table 3.7.5. The minimum width of staircase shall not be less than 1.1m. The minimum net width of the evacuation passage shall not less than 1.4m. The minimum net width of the evacuation door shall not less than 0.9 meters.

If the number of persons is unequal each floor, the total net width of the evacuation staircase should be separately calculated. The total net width of the evacuation staircase of the lower floor shall be calculated according to the maximum persons of the floor or the floor above it.

The net width of the main evacuation door on the ground floor shall be calculated based on the maximum number of person upstairs. And the minimum net width of it shall be not less than 1.2 meters.

Table 3.7.5

The net width standard of the evacuation staircase, passage and door (meter per hundred persons)

1. 1st and 2nd floor, width 0.6 meter per hundred persons;
2. 3rd floor, width 0.8 meter per hundred persons;
3. 4th floor, width 1.0 meter per hundred persons;

Additional Comments: Auditors noted that the width of 1 out of 1 evacuation passage leading to 1 out of 2 safety exits in the printing workshop on the third floor of No.1 production building was 1.06 meters in width, which was less than national standard of 1.4 meters.

Remark: Factory management widened the width of the evacuation passage to be 1.49 meters before auditors left the factory.

☒ 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 6.4.11 of Code for Fire Protection Design of Buildings: The evacuation doors shall comply with the following standards:

1. The evacuation door of domestic and industrial building should use door with hinge and open to the direction of evacuation. It shall not use Push/Pull door, Rolling Door, Curved Door. Except for the production rooms of Category A and B production, the direction of open door is not restricted if: the number of persons in

the room does not exceed 60 and the number of persons evacuate through each door does not exceed 30.

2. The evacuation door of warehouse should use door with hinge and open to the direction of evacuation. But outer exit on ground floor of the warehouse of Category C, D, and E can use Push/Pull door or Rolling Door.

3. When the evacuation door is fully open, the effective width of the landing should not be reduced.

4. The evacuation door should ensure that it can be opened from inside without any tools such as key. And it shall mark open instruction clearly nearby.

Additional Comments: Auditors noted that respectively the evacuation doors used at 2 out of 2 safety exits in cutting workshop on the first floor of No.1 production building and 2 out of 2 safety exits in injection molding workshop on the first floor of No.2 production building were sliding doors.

Remark: There were small side-hung doors open to the direction of evacuation installed in all of the sliding doors.

☒ One or more evacuation/exit signs, including illuminated type are not installed, insufficiently powered, do not function properly, obstructed or not visible.

Law / Code: Article 10.3.5 of Code for Fire Protection Design of Buildings: lighting evacuation signs should be placed in the public buildings, domestic building which is more than 54m height, high-rise industrial building and warehouse as well as industrial building of Category A, B, C. The setting of lighting signs shall comply with following:

1. Place right on the top of the safety exit and evacuation door of crowded areas;

2. Place with less than 1 meter in height on the wall along with the evacuation passageway and its corners. And the distance between signs should not be more than 20 meters. For passages in curve, the distance should be less than 1 meter.

Additional Comments: Auditors noted that:

(1) Evacuation signs installed inside all workshops in the factory were not illuminated type.

(2) Safety exit sign was installed on the top of 1 out of 1 exit, which was not designed as safety exit, in injection molding workshop on the first floor of No.2 production building.

Remark: Factory management removed the safety exit sign before auditors left the factory.

☒ One or more fire extinguishers are not installed, are the incorrect type, are insufficiently inspected or maintained, do not function properly, are obstructed or misplaced.

Law / Code: Article 5.1.4 of Code for Design of Extinguisher Distribution in Buildings, fire extinguishers shall not be located in places with a moist or strongly corrosive atmosphere; when it is necessary to do so, appropriate protection measures shall be taken. Protection shall be provided for fire extinguishers mounted outdoors.

Additional Comments: Auditors noted that there were no protective measures taken for 2 out of 2 fire extinguishers mounted outside the chemical warehouse.

Remark: Factory management took protective measures for the two fire

extinguishers outside chemical warehouse before auditors left the factory.

☒ Poor housekeeping in the warehouse storage area.

Law / Code: 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.

Additional Comments: Auditors noted that gap between stacks and walls was 0 meter in the raw material warehouse and finished products warehouse, which was less than the legal requirement of 0.5 meter; moreover, gap between stacks and posts was 0 meter in the raw material warehouse and finished products warehouse, which was less than the legal requirement of 0.3 meter.

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 all hazardous materials (e.g. flammable printing ink, etc.) being used in the printing workshop on the third floor of the No.1 production building were not posted with safety label.

Remark: Factory management posted safety labels on all hazardous materials in the printing workshop before auditors left the factory.

Machine & Electrical Safety:

☐ Acceptable ☒ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Handrails/guardrails are not installed properly where required.

Law / Code: Article 7.2.1 of Safety of machinery – Permanent means of access to machines and industrial plants – Part 3: The staircase should have at least one handrail. The stairs with a width no less than 1200 mm shall install two handrails. 7.2.2 Handrail shall be installed to the staircase higher than 500mm. When the gap more than 200mm outside the staircase, handrail shall be installed on the gap side of staircase.

7.2.3 The vertical height of the staircase's handrail shall be 900 mm to 1000 mm above the nosing of the step and at least 1100 mm above the landing.

7.2.5 At least a kneerail or other devices which are in the same efficacy as the kneerail should be installed for the guard-rails. The distance between handrail and kneerail, and the clearance between kneerail and string should be no more than 500 mm.

Additional Comments: Auditors noted that the stairs of all injection molding machines were 0.8 meter height in injection workshop. However no handrail was installed to prevent the employees from falling down.

Remark: Factory management changed the stairs to be the ones with handrails for injection molding machines before auditors left the factory.

☒ Machines/equipment are not equipped with protective covers or safety devices.

Law / Code: 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.

Additional Comments: Auditors noted that all over locking machines in the sewing workshop were not equipped with eye protective guards; moreover, all sewing machines in the sewing workshop were not equipped with needle guards.

Medical & First Aid:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Other:

☐ Acceptable ☒ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ 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 who were in contact with poisonous and harmful substance (e.g. employees in contact with printing ink in the printing workshop, employees in contact with noise in the cutting workshop, employees in contact with dust and noise in the crushing material workshop).

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 though employees in printing workshop were provided with rubber gloves, 1 out of 5 employees wore cotton gloves in working.

Sanitation:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Involuntary Labor:

Mandatory Overtime:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Other:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Prison, Bonded, Indentured, Forced Labor:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Monitoring and Compliance:

Ethics:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Insufficient or Inadequate Records:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Other:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Transparency:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Non-Discrimination:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Other Laws (if applicable):

Labor Contract:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Other:

☐ Acceptable ☒ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ The facility has not prepared an employee roster with all required information.

Law / Code: Article 8 of Regulation on the Implementation of the Employment Contract Law of the People's Republic of China, The roster of employees as mentioned in Article 7 of the Employment Contract Law shall contain the employees' name, gender, citizen's identity number, registered permanent residence address and current address, contact information, form of employment, start time of employment, and term of the employment contract, etc.

Additional Comments: Auditors noted that the roster provided by factory management did not include the information of employees' current address and contact information.

Protection of the Environment:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Publication:

☒ Acceptable ☐ Needs Improvement ☐ N/A ☐ Unable to Verify

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations.

Subcontracting:

☐ Acceptable ☐ Needs Improvement ☒ N/A ☐ Unable to Verify

Predetermined Comments:

☒ N/A

Law / Code:

Additional Comments: Auditor confirmed that Ningbo Swan Sports Appliance Manufacturing Co., Ltd does not receive Disney-branded production from any facility or other sources in the past.