

ILS Social Compliance Audit

Audit ID #: SHCJ39622-01 **Date Audit Conducted:** 2015-08-24
Yr/Mo/Day

Code Conducted to: Disney **Audit Report Date:** 2015-08-31
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: Yiwu EE Jewelry Co., Ltd.

Address Line 1: The 4th floor, No.5, Chuantang Road, Liuqing Industry Zone, Yiwu City, Zhejiang Province

Address Line 2: Not applicable

Address Line 3: Not applicable

City: Yiwu **State/Province:** Zhejiang

Town: Not applicable **Country:** China

Postal Code: 322000 **GPS Location:**

Contact Last Name: Shen **Contact First Name:** Fangfang

Primary Email: ee402@eejewelry.cn **Telephone:** 86-579-85665611

Contact Person Title: Office Director **Fax:** 86-579-85112970

Name/Address/Ownership Updates

Facility Name: None observed

Facility Address: None observed

Facility Ownership Update: None observed

Upcoming Relocation or Expansion: None observed

Audit Team

Audit Firm: Intertek Testing Services

Lead/ Exclusive Auditor: Davy Zhou

Number of Auditors: 2

Audit Team Member 1: Davy Zhou

Audit Team Member 2: Jeff Tan

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: None observed

Current % Capacity Devoted to Disney: 5 **Past % Capacity Devoted to Disney:** 5

Products Produced: Accessories: Other Accessories

Disney Products Observed: Imitation Jewelries

Production Processes: Molding, paint spraying, sanding, assembling, inspection and packaging

Total Employees: 52 **#Production Employees:** 43

Buildings: 1

Buildings by Purpose: Building #1/ 4/F of one 4-storey building for production floor, warehouse and office, neither kitchen&canteen nor dormitory provided for employees.

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:

Not applicable

Facility # of Shifts/Hours

1 / 8:00-12:00 14:00-18:00

Other Brands Present?

Not provided

Establishment Date: Yr/Mo/Day

2004/10/22

Audit Details**Attendance Records Reviewed:**

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

Last Pay Date: Yr/Mo/Day

2015/07/24

Number of Records Sampled:

16

Individual Employee Interviews:

6

Employee Group Interviews:

0

Numbers per Group:

0

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. Fangfang Shen/ Office Director

Agreed to and Signed CAPAR?

☒ Yes

☐ No

☐ Unknown

Audit Entered by: (Name) Davy Zhou

Comments Details

Comments:

1) The facility rents its production building from the landlord named Yiwu City Yuanguang Glasses Co., Ltd. The lease contract was provided for review. 1/F of the 4-storey building was used as air conditioner warehouse and Testing room by Yiwu Shunda Logistics Company and Yiwu Dahe Inspection Company, 2/F of the 4-storey building was used as film coating productIon floor by Yiwu Tianyi Film Coating Factory, 3/F of the 4-storey building was used as jewelries production floor by Yiwu Huaan Jewelry Co., Ltd, these facilities has independent Business Licenses and Management system, all employees in each facilities would not be commingled with each others, thus, these areas were not covered during this audit. The facility management also gave a written explanation for the above situation.

2) The address on Business License was F10, Second Phase, Liuqing Industry Base, Beiyuan Industry Zone, Beiyuan Street, Yiwu City, Zhejiang Province, China, now, the local government had renamed it as No.5, Chuantang Road, Liuqing Industry Zone, Yiwu City, Zhejiang Province, China, The two addresses were the same.

Name and Title of Others Present (ex. translators, observers, trainees): None

Attendance Records Provided: 13 months and 23 days attendance records / from July 1, 2014 to August 23, 2015

Payroll Records Provided: 12 months /July 1, 2014 –June 30, 2015

Number of Records Sample: Current: 6 / June 2015, random: 5 / March 2015, random: 5 / November 2014

Resources Received from Facility (i.e. transportation, meals): The facility provided free lunch and transportation to auditors.

Factory Representative in opening meeting (name/title): Ms. Fangfang Shen / Office Director and Mr Xie Kaiping / Sales Staff

Factory Representative in closing meeting (name/title): Ms. Fangfang Shen / Office Director and Mr Xie Kaiping / Sales Staff

(Note: other comments may include but not limit to: details if "Agreed to and signed CAPAR" is indicated "No"; further details regarding audit scope; special observation or comments on the audit process; etc.)

Audit Violations

Age

Requirement

Child Labor:

☒ 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

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): The local minimum standard was set at RMB 1310 per month equivalent to RMB 7.53 (1310/21.75/8) per hour before August 1, 2014 and RMB 1470 per month equivalent to RMB 8.45 (1470/21.75/8) per hour since August 1, 2014.

Overtime Hours:

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

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations

Remarks:

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

Remark:

1. All interviewees during employee interview stated that they worked overtime on voluntary basis.

2. 13 months and 23 days' attendance records from July 1, 2014 to August 23, 2015 were reviewed.

3. According to the attendance records provided by the facility.

1) For June 2015 (current month), Maximum working hours per week were 52 hours (all 6 selected samples). The maximum monthly overtime hours were 36 hours (all 6 selected samples).

2) For March 2015 (random month), Maximum working hours per week were 52 hours (4 out of 5 selected samples). The maximum monthly overtime hours were 28 hours (4 out of 5 selected samples).

3) For November 2014 (random month), Maximum working hours per week were 52 hours (all 5 selected samples). The maximum monthly overtime hours were 36 hours (all 5 selected samples).

Overtime Wage:

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

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations

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: Social Insurance Law of the People's Republic of China, Article 10 requires Employees shall participate in the basic endowment insurance, and the basic endowment insurance premiums shall be jointly paid by employers and employees. Article 23 Employees shall participate in the basic medical insurance for employees, and the basic medical insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state. Article 33 Employees shall participate in the employment injury insurance, and the employment injury insurance premiums shall be paid by their employers rather than the employees. Article 44 Employees shall participate in unemployment insurance, and the unemployment insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state. Article 53 Employees shall participate in maternity insurance, and the maternity insurance premiums shall be paid by employers rather than employees in accordance with the relevant provisions of the state.

Additional Comments: Auditors noted that insufficient social insurance participated. Auditors noted that only 17 out of 52 employees (32.7%) had participated in basic endowment insurance, basic medical insurance, unemployment insurance, maternity insurance and employment injury insurance.

Remark:

- 1) The facility had bought one group accidental injury insurance for 35 out of 52 employees (67.3%) who had not participated in employment injury insurance, the period of validity was from August 11, 2015 to August 10, 2016.
- 2) The facility had obtained a written waiver from local social insurance bureau on July 28, 2015.

Remarks:

Regular Pay Date: 25th of each 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: No dormitory provided

Fire & Emergency Safety:

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

Predetermined Comments:

☒ Poor housekeeping in the warehouse storage area.

Law / Code: Article 18 of Plan for Warehouse Fire Prevention Safety Management requires that The area taken up by one stack in warehouse should preferably below 100m². There should be a distance of at least 1m between stacks, at least 0.5m between stacks and the wall and at least 0.3m between stacks and beams or posts. The width of main passages should be at least 2m.

Additional Comments: Auditors noted that materials in warehouse are stacked against wall. Through facility tour, auditor found that partial goods in the finished product warehouse were put against the walls directly. Through management interview, the facility management stated they have no idea for the requirement.

Hazardous Material:

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

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations

Machine & Electrical Safety:

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

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations

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:

☒ Assessment of occupational hazards factors is not conducted annually or as required.

Law / Code: Provisions on the Supervision and Administration of Workplace Occupational Health Article 20 requires, An employing entity with occupational hazards shall entrust an occupational health technical service agency with corresponding qualification to conduct evaluation on occupational hazard factors at least once every year. An employing entity with severe occupational hazards shall, in addition to the above requirement, entrusts an occupational health technical service agency with corresponding qualification to conduct assessment on occupational hazard status at least once every three years. The results of the evaluation and assessment shall be kept in archive, reported to local administration department of work safety, and announced to the workers.

Additional Comments: Auditors noted that the facility did not conduct evaluation on occupational hazard factors. During facility tour, auditors found that paint-spraying workshop with hazardous chemicals including benzene, methylbenzene and dimethylbenzene and the dust and noise were generated from the sanding and molding workshops. However, facility could not provide evaluation report of occupational hazardous factors in 2014 and 2015 for review.

Personal Protective Equipment (PPE):

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

Predetermined Comments:

☒ Acceptable

Law / Code:

Additional Comments: No apparent violations

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:

☒ Legally required operating license, permit or registration has not been obtained or is invalid, or not provided for review.

Law / Code: Regulations of PRC for controlling the registration of enterprises as legal persons Article 17 If an enterprise legal person needs to change its name, residence, operation site, legal representative, economic nature, scope of business, mode of operation, registered capital, duration of operation, or increase or disband its branches, it should apply for registration of the alteration.

Additional Comments: Auditors noted that information of business license was not updated. Through facility tour, auditor found that the facility actual address was The 4th floor, No.5, Chuantang Road, Liuqing Industry Zone, Yiwu City, Zhejiang Province. Through document review, the address on business license was F10, Second Phase, Liuqing Industry Base, Beiyuan Industry Zone, Beiyuan Street, Yiwu City.

Protection of the Environment:

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

Predetermined Comments:

☒ The required environmental impact assessment approval reports and/or the environmental protection certificate are not provided for review.

Law / Code: 1. PRC Environmental Impact Assessment Law article 24, after the approval of the construction projects' Environmental Impact Assessment Documents, in case of any changes in the nature, scale, site, production process or measures of preventing pollution and ecological damage, construction units concerned shall re-submit the construction projects'

Environmental Impact Assessment Documents for the application.

PRC Environmental Impact Assessment Law article 22, the construction unit shall submit the environmental impact assessment documents of the construction project to the authorized environmental protection administrative department in charge in accordance with the regulations of the State Council for examination and approval. For those administrated by the trade's administrative department, the environmental impact report or the environmental impact report form shall be submitted to the authorized environmental protection administrative department for examination and approval after pre-examination by the trade's administrative department in charge.

2. Measures for Administration of Environmental Protection Acceptance Check upon Completion of Construction Project article 17 requires, For construction units accord with the acceptance check conditions prescribed in Article 16, competent departments of environmental protection administration shall approve the application report of environmental protection acceptance check, application form of environmental protection acceptance check or registration card of environmental protection acceptance check. For construction projects with a registration card of environmental protection acceptance check upon completion of project completed, competent departments of environmental protection administration shall, after checking, give the opinions on the registration card of environmental protection acceptance check and make approval decisions. Construction projects without official approval on the application report, application form or registration card of environmental protection acceptance check upon completion of projects shall not be put into production or use.

Additional Comments: 1. Auditors noted that no environmental impact assessment and approval of environmental impact assessment for processes newly added. During facility tour, auditor found that the facility had expanded spray painting process, the waste gas and hazardous waste which generated during manufacturing would cause certain influence on the environment. However, during document review, the facility has not obtained the environmental impact assessment and approval of environmental impact assessment for processes newly added.

2. Auditors noted that no environmental protection acceptance checks report for completed construction project for processes newly added. During facility tour, auditor found that products in the facility are Jewelries, and the main processes are molding, paint spraying, sanding, assembling, inspection and packaging, the waste gas and hazardous waste which generated during manufacturing would cause certain influence on the environment. And the paint spraying process was a newly added process. However, during document review, the facility only obtained the environmental protection acceptance check approval for their construction project without paint spraying process, but has not obtained the environmental protection acceptance check approval for their construction project newly added with paint spraying process for review.

Publication:

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

Predetermined Comments:

☒ The Disney Code of Conduct is not posted in the facility and/or communicated to employees

Law / Code: The Disney Code of Conduct: Manufacturers will take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to employees, including the prominent posting of a copy of this Code of Conduct, in the local language and in a place readily accessible to employees, at all times.

Additional Comments: Auditors noted that no Disney Code of Conduct training and communicating. Through document review and employees interview, auditors found that the facility did not train or communicate Disney Code of Conduct to the employees.

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: The Disney Code of Conduct: manufacturers not using subcontractors for the manufacture of Disney 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: Auditors noted that subcontracting without approval. During sample review and management interview, auditors noted that the Card, Plastic uptake and PVC Accessories with Disney's logo was provided by other facilities, but without Disney's express written consent. Please refer to the below details for the information of the relevant facility:

Facility Name: Yiwu City Yachang Printing Co., Ltd.
Address: No. 157, Chengdian Road, Choujiang Street, Yiwu City.
Process Type: Card
Tel: 86-13958497816
Contact Person: Ms. Zhang Shenru

Facility Name: Yiwu City Fengyun Plastic uptake Factory
Address: Lianping Village, Choucheng Street, Yiwu City
Process Type: Plastic uptake
Tel: 86-15868935588
Contact Person: Mr. Chen Yalai

Facility Name: Lanxi City Huaxin Jewelry Factory
Address: Shangzhu Village, Meijiang Town, Lanxi City.
Process Type: PVC Accessories
Tel: 86-13967406362
Contact Person: Ms. Wang Xiaoyan

