

ILS Social Compliance Audit

Audit ID #: CA-14-CN627SA1 **Date Audit Conducted:** 2017/11/03
Yr/Mo/Day

Code Conducted to: Disney **Audit Report Date:** 2017/11/06
Yr/Mo/Day

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

Facility Information

Facility ID No.: Nil

Facility Name: Haotong Plastic Technology Co., Ltd

Address Line 1: 2F Building A8, Qihua Industry Part, Stone Ridge Industry District, Wulian Village, Fenggang Town, Dongguan

Address Line 2:

Address Line 3:

City: Dongguan **State/Province:** Guangdong

Town: Fenggang **Country:** China

Postal Code: 523685 **GPS Location:** N/A

Contact Last Name: Hu **Contact First Name:** Yijin

Primary Email: NCKEVIN@21CN.COM **Telephone:** 0769-8201 0886

Contact Person Title: General Manager **Fax:** 0769-8750 5886

Name/Address/Ownership Updates

Facility Name: Nil

Facility Address: Nil

Facility Ownership Update: Nil

Upcoming Relocation or Expansion: Nil

Audit Team

Audit Firm: Insite Compliance

Lead / Exclusive Auditor: Susan Lee

Number of Auditors: 2

Audit Team Member 1: Rooney Wu

Audit Team Member 2:

Audit Details & Assessment

Facility Details

Access to Facility: Acceptable 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:

The audited factory was located at A8 building, Qihua Industrial Zone. There was one production building with 4 floors for 3 factories at the building. However, the audited factory just rented the 1st to 2nd floor. 3rd and 4th floor belong to another two factories.

3/F: Kingye electronic technology Co., Ltd.

4/F: Dongguan Baolige Packing Co., Ltd.

Based on document review, factory tour, management and workers interview, the above mentioned two factories had independent business licenses, different management and production workers, etc. So auditors just conducted audit for Haotong Plastic Technology Co., Ltd on Nov. 3,2017.

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

Products Produced: 3D tempered glass screen protector

Disney Products Observed: No Disney product was observed onsite on audit day.

Production Processes: Injection--Molding--Printing--Inspection--Packing

Total Employees: 79 **#Production Employees:** 60

Buildings: 1

Buildings by Purpose: Production building with 4 floors

1/F: Injection, Molding

2/F: Printing, inspection, packing warehouse, office

3/F: another factory

3/F: another factory

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 | |

Injection and molding workshops with 2 shifts:
Day: 8:00-12:00,13:30-17:30

Facility Regular Hours:

8 hours per day
5 days per week

Facility # of Shifts/Hours

Night: 20:00-23:00,1:00-6:00

The other production workshops with 1 shift:
8:00-12:00,13:30-17:30

Other Brands Present?

Boch

Establishment Date:

2011/07/25

Yr/Mo/Day

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 type="checkbox"/> January | <input type="checkbox"/> June | <input type="checkbox"/> November |
| <input type="checkbox"/> February | <input type="checkbox"/> July | <input checked="" 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 type="checkbox"/> January | <input type="checkbox"/> June | <input type="checkbox"/> November |

February July December
 March August

Last Pay Date: Yr/Mo/Day 2017/10/31 **Number of Records Sampled:** 20

Individual Employee Interviews: 10 **# Employee Group Interviews:** N/A

Numbers per Group: N/A

Additional Locations Audited? No Yes; Locations not under same business license
 Yes; Location under same business license Yes; unknown

Explain Additional Location Details: N/A

Comments/Observations: No dormitory and canteen were provided at the facility.

Communicated Findings With: Mr. Hu Yijin

Agreed to and Signed CAPAR? Yes No Unknown

Audit Entered by: (Name) Susan Lee

Comments Details

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

Attendance Records Provided: Oct.2016--Oct.2017

Payroll Records Provided: Oct.2016--Sept.2017

Number of Records Sample:20(10 in Sept. 2017, 5 in May 2017 and 5 in Dec.2016)

Resources Received from Facility (i.e. transportation, meals): Simple lunch

Factory Representative in opening meeting (name/title): Mr. Hu Yijin/Vice General Manager
Mr. Du Yuheng/HR Supervisor

Factory Representative in closing meeting (name/title): Mr. Hu Yijin/Vice General Manager
Mr. Du Yuheng/HR Supervisor

(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:

N/A

Law / Code:

Additional Comments: The youngest worker was 18 years old at the facility.

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: RMB1,510 per month (RMB8.68 per hour)

Overtime Hours:

Acceptable Needs Improvement N/A Unable to Verify

Finding 1

Predetermined Comments:

Employees work in excess of 60 hours per week for more than 17 weeks per year.

Law / Code: The upper Limit for Work Hours Acceptable for Disney

(overtime included):

(1) Non-busy period: The maximum weekly work hours permitted by Disney Code of Conduct shall not exceed 60 hours.

(2) Busy period: Disney Code of Conduct permits a busy period of no more than four months (or 17 weeks) in a year. During this period, the maximum weekly work hours shall not exceed 72 hours.

Additional Comments: It was noted that 20 (selected from various workshops) out of 20 sample employees worked in excess of 60 hours per week.

A review of 20 sample employees' time records for Sept.2017, May 2017 and Dec.2016 yielded the following:

* 10 out of 10 sampled employees worked up to 63.5 hours per week for 2 weeks in Sept.2017, which exceeded client's standard of 60 hours per seven-day period;

*5 out of 5 sampled employees worked up to 63.5 hours per week for 2 weeks in May 2017, which exceeded client's standard of 60 hours per seven-day period;

*5 out of 5 sampled employees worked 63.5-66 hours per week for 2 weeks in Dec. 2016, which exceeded client's standard of 60 hours per seven-day period;

Through reviewing of the provided attendance records from 2016/10/01 to 2017/10/31. There were total 25 weeks that employees work in excess of 60 hours per week in past 12 months.

Finding 2

Predetermined Comments:

Employees work in excess of six consecutive days without a day of rest.

Law / Code: In accordance with Article 38 of the Labor Law of the PRC, employing units are to guarantee that employees have at least one day off a week.

Additional Comments: Based on attendance record from Oct.2016 to Oct.2017, it was noted that 20 out of 20 sample employees worked seven days consecutively without rest.

A review of the sample employees' time records for Sept.2017, May 2017 and Dec.2016 yielded the following:

*10 out of 10 sample employees worked 13(Sept. 4 to 16, Sept.18-30) days consecutively without rest in Sept.2017, which was not in compliance with

the legal requirement.

*5 out of 5 sample employees worked 12(May 2 to 13) to 13 (May 15-27) days consecutively without rest in May 2017, which was not in compliance with the legal requirement;

*5 out of 5 sample employees worked 10 (Dec. 1-10) to 13 (Dec. 12 to 24) days consecutively without rest in Dec. 2016, which was not in compliance with the legal requirement.

Finding 3

Predetermined Comments:

Employees work in excess of the legal overtime limit.

Law / Code: In accordance with 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: Based on attendance records from Oct.2016 to Oct. 2017, it was noted that the following sampled records showed work in excess of the statutory overtime hour limits.

A review of the sampled attendance records for Sept.2017, May 2017 and Dec.2016 yielded the following:

*10 out of 10 sampled records showed work in excess of 36 overtime hours per month and maximum working overtime was up to 87.5 hours in Sept.2017, which exceeded the statutory overtime limit of 36 hours per month;

*5 out of 5 sampled records showed work in excess of 36 overtime hours per month and maximum working overtime was up to 78 hours in May2017, which exceeded the statutory overtime limit of 36 hours per month;

* 5 out of 5 sampled records showed work in excess of 36 overtime hours per month and maximum working overtime was up to 100 hours in Dec. 2016, which exceeded the statutory overtime limit of 36 hours per month.

Through reviewing of the provided attendance records from Oct.2016 to Oct. 2017, it was noted that sample records' maximum weekly working hours was 66 for 7 days. Maximum daily working hours was 10 and maximum monthly overtime hours was 100.

Remarks:

Attendance Recorded by: Finger Printing attendance record system.

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: In accordance with 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, the factory did not provide social insurance for all employees. It was noted that 9 out of 79 employees were provided retirement, work injury, medical, unemployment and maternity insurance in Oct.2017. (There were total 79 employees at the facility in Oct.2017.)

Regular Pay Date: End 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: N/A

Additional Comments: No dormitory was provided at the facility.

Fire & Emergency Safety:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code:

Additional Comments: No apparent violations.

Hazardous Material:

Acceptable Needs Improvement N/A Unable to Verify

Finding 1

Predetermined Comments:

Safety warning signs are not posted as required where hazardous materials are handled.

Law/Code: In accordance with 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: It was noted that 2 bottles of cleaning agent being used at the package workshop on the 2nd floor of the production building was not posted with a safety label.

Finding 2

Predetermined Comments:

Secondary containment is not provided for chemicals

Law / Code: In accordance with 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, fire fighting, blast-proof, pressure discharging, poison-proof, neutralizing, moisture-proof, lightening-proof, static-proof, antiseptic, 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: It was noted that there was no anti-leakage facility (e.g. secondary container) for printing ink being used at mixing chemical room on 4th floor and chemical warehouse on 1st floor.

Machine & Electrical Safety:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

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

Law / Code: In accordance with 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: It was noted that no warning sign was marked on 4 out of 10 electricity switch boxes at production workshops.

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:

Acceptable

Law / Code:

Additional Comments: No apparent violations.

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: In accordance with Article 37 of Law of the People's Republic of China on Production Safety, an employer shall provide employees with occupational health and safety conditions and necessary personal protective equipment conforming to the state stipulations and shall monitor and educate employees on how to wear and use such personal protective equipment according to use instruction.

Additional Comments: It was noted that 5 employees who worked at injection and molding workshops did not wear earplugs during operation. However, the factory provided earplugs to these post employees.

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:

Acceptable

Law / Code:

Additional Comments: No apparent violations.

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: N/A

Additional Comments: It's initial audit and there's no Disney order or sample at the facility. Auditors confirmed that Haotong Plastic Technology Co., Ltd. did not subcontract or receive Disney branded production from any facility or other source from 2016/11/04 to 2017/11/03.