

Social Compliance Audit Report

Audit ID #: 10113120302

Audit Report Date: December 1, 2011

Licensee/Vendor Name: ZHEJIANG TIANHAI
PAPER CO., LTD

Factory Information

Factory ID No. ---
Factory Name: Zhejiang Tianhai Paper Co., Ltd
Street Address Line 1: No. 5 Huimin Street, Shuige Industry Park, Lishui City, Zhejiang
Province
Street Address Line 2: ---
City: Lishui State/Province: Zhejiang
Zip Code: 323000 Country: China
Contact Person Name: Mr. Wu Weizhao Telephone: 86-578-2610332
Contact Person Title: Production manager Fax: 86-578-2696179

Compliance Audit Report

Document Completed By:	Audit Entered By (Name): Selina Yan	Title: Report Reviewer	Date Audit Entered: (MM/DD/YYYY) 12/1/2011
Factory Audited By:	Audit Conducted By (Name): Connie Zhang	Audit Organization: BVCPS-IAA (SH)	Date Audit Conducted: (MM/DD/YYYY) 11/30/2011
	Audit Type: (Initial or 1st/2nd/3rd Follow Up) 1 st Follow up		Tentative Audit Date: (MM/DD/YYYY) 11/30/2011

Compliance Audit Report (Continued)

Number of Factory Workers: Unable to Determine 101-250 1001-2500
 1-50 251-500 2501-5000
 51-100 501-1000 Over 5000

Audit Report Date: December 1.2011

Overall Rating: Needs Improvement
 Acceptable

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

Access to Facility: Accepted
If denied, explain: Denied

Partial Access Denied?: Yes No

Percentage of the Factory's capacity devoted to production of Disney Products: 0% 31-40% 71-80%
 1-10% 41-50% 81-90%
 11-20% 51-60% 91-100%
 21-30% 61-70%

Overall Assessment: Special Findings
 Nil
 Assessment Process
 Assessment Type: Announced Follow up Audit
 Specify Code of Conduct Assessed: Disney Code of Conduct
 Monitoring Firm: Bureau Veritas
 Number of Monitors: 1
 Name and Title of Others Present: Nil
 Status of Disney's Ethics Policy (Presented and explained, Signature Block Completed): The auditors presented and explained the policy to the factory on the opening meeting.
 Number of Testing: 5 samples from September 2011 (current month)
 Months of Work Attendance Records Reviewed: From August to September 2011.
 Months of Payroll Ledgers Reviewed: From August to September 2011.

Number of Employees Interviewed:5

Number of Employees/Group Interviewed: 0

Signing of the Confidentiality Agreement: Y

Resources Received from Facility: meal and transportation were provided by the factory, and the fee was paid

Report Disney approved or not approved deviations from the ILS Audit Scope and Procedures and who, what, and why details: Nil

Facility Overview Information

Facility Address: No. 5 Huimin Street, Shuige Industry Park, Lishui City, Zhejiang Province, China

Contact Person: Mr. Wu Weizhao

Year of Establishment: January 2004

Numbers and Purpose of Buildings:

Factory total had 5 buildings, one 3-storey & 4-storey office, canteen and dormitory building (1st floor as canteen, 2nd-3rd floor as dormitory building and 4th floor as office), two 3-storey production building (one building rent to Bolisheng New Energy Company), one 6-storey building (1st floor as warehouse, 2nd-4th floor was not for using, 5th-6th floor rent to Jiada Packing Company), one 6-storey building (1st floor rent to Sikete Company, Jinguo Packing and Runzheyuan Food Company, 2nd-6th was not for using for most areas and other areas rent to Bolisheng New Energy Company as a office on 6th floor and Huangtai Mould Company for production on 4th floor). During this audit, factory provided all lease contracts to auditors for review, and auditors only visited one 3-torey & 4-storey office, canteen and dormitory building, one 3-storey production building and 1st floor of one 6-storey building. Factory total had 35,000 square meters, but only used about 7,000 square meters for production, office, dormitory and canteen.

Product Type: Paper product

Production Processes: cutting, printing, inspection and packing

Current / Normal Employee Size by Employee Type:49

Current / Past Percentage of Disney Production: 70% / 70%

Other Brands Present: Fast pace, PTP, BSB and etc.

Peak / Low Production Months: No obviously peak season

Facility Regular Hours / Shift: From 07:30 to 17:30 (120 minutes lunch break from 11:30 to 13:30) from April to September or from 08:00-17:00 (60 minutes lunch break from 11:30 to 12:30) from October to March (next year).

Pay Date: on 30th of each month

Name of the Licensee / Vendor:

Vendor: ZHEJIANG TIANHAI PAPER CO LTD

Violations Categories:

1. Social Benefits

2. Health & Safety

Comments / Observations: Nil

Communicated Findings with: Discussions regarding the Corrective Action Plan occurred with Mr. Wu Weizhao / Production manager (Name & Title).

Child Labor: Acceptable Needs Improvement N/A Unable to Verify
Remark: The youngest worker was 18 years old.

Current Child Labor:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Young Worker:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Other:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Involuntary Labor: Acceptable Needs Improvement N/A Unable to Verify
No finding

Prison, Bonded, Indentured, Forced Labor:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Mandatory Overtime:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Other:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Coercion and Harassment: Acceptable Needs Improvement N/A Unable to Verify
No finding

Physical Abuse or Sexual Harassment:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Other:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Non-Discrimination: Acceptable Needs Improvement N/A Unable to Verify
No finding

Association: Acceptable Needs Improvement N/A Unable to Verify
No finding

Remark: PRC Labor Union Law Article 11, the establishment of a primary labor union, local all-level federation of labor unions, or industry-specific labor union must be reported to the labor union organization at the next higher level for approval. The higher level labor union can send someone to help and guide the employees in enterprise to establish labor union which shall not be obstructed by any unit or individual.

Minimum Wage: Acceptable Needs Improvement N/A Unable to Verify
No finding.

Remark: It was noted that all employees were paid by monthly salary from RMB 1100- 2000 per month, which was no less than local minimum wage RMB1060/month since April 2011.

Overtime Wage: Acceptable Needs Improvement N/A Unable to Verify
No finding

Remark: According to the payroll and attendance record of 5 sampled employees, it was noted that the factory paid 200% of employees' normal wage for overtime worked on weekends.

Overtime Hours: Acceptable Needs Improvement N/A Unable to Verify
Requirement: In accordance with Article 65 of the Instruction on the Implementation of the China Labor Law, enterprises which are approved to adopt the Comprehensive Working Hour System shall calculate working hours are comprehensively based on one week, one month, one quarter, or one year as a cycle. However, the average working hours for one day or one week shall be approximately equal to the statutory standard working hours.

Previous Finding: Factory had obtained a written approval for adopting a Comprehensive Working Hours System with a valid period from January 2010 to December 2010. Auditor selected 5 samples from August 2010 to December 2010, and the total working hours were 1026 which did not exceed the written approval's limit of 2432. However, factory only provided the attendance records from August 2010, and the total working hour whether exceed the written approval's limit or not was unable to conclude.

Corrective Action Taken: Factory had obtained a written approval for adopting a Comprehensive Working Hours System with a valid period from January 2011 to December 2011. According to this written approval, employees' working hours during this period should not exceed 2424 hours. Working hours were tested for 5 employees from January 2011 to November 29, 2011, and the range of total working hours were from 2072 to 2076 hours, which did not exceed the written approval's limit of 2424 hours.

Remark: The maximum overtime hour was 0 hour a day, 8 hours a week and 24 hours a month in September 2011. The maximum consecutive working period was 6 days.

Social Benefits: Acceptable Needs Improvement N/A Unable to Verify
Requirement: 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.

Previous Finding: Auditors noted that according to the social insurance payment receipt provided by factory management on August 8, 2011 for July 2011, it was noted that only 35 out of 55 employees participated in Medical, Pension, Industry Injury, Unemployment and Maternity Insurances. But the factory had obtained a waiver dated September 20, 2011 from the local social insurance authority to prove that the current social insurance scheme was in compliance with local requirements in terms of numbers of participating employees and types of insurance. However, because not all the employees required by law were provided with accident, medical, pension, maternity and unemployment insurance and the local waiver cannot meet client requirement, auditors concluded this issue as a finding.

Corrective Action Not Taken: Auditor noted that according to the social insurance payment receipt provided by factory management for September 2011, it was noted that only 46 out of 57 employees participated in Medical, Pension, Unemployment and Maternity Insurances, and all employees were provided with Industry Injury insurance. The factory had obtained a waiver dated November 22, 2011 from the local social insurance authority to prove that the current social insurance scheme was in compliance with local requirements in terms of numbers of participating employees and types of insurance. However, because not all the employees required by law were provided with medical, pension, maternity and unemployment insurance and the local waiver cannot meet client requirement, auditor concluded this issue as a finding.

Recommended Corrective Action Plan: Please ensure that employees receive all of their statutory welfare entitlements.

Other Compensation:	<input checked="" type="checkbox"/> Acceptable	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> N/A	<input type="checkbox"/> Unable to Verify
No finding				
Monitoring and Compliance:	<input checked="" type="checkbox"/> Acceptable	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> N/A	<input type="checkbox"/> Unable to Verify
No finding				
	Transparency:			
	<input checked="" type="checkbox"/> Acceptable	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> N/A	<input type="checkbox"/> Unable to Verify
No finding				
	Ethics:			
	<input checked="" type="checkbox"/> Acceptable	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> N/A	<input type="checkbox"/> Unable to Verify
No finding				
	Insufficient or Inadequate Records:			
	<input checked="" type="checkbox"/> Acceptable	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> N/A	<input type="checkbox"/> Unable to Verify

No finding

Other:

Acceptable Needs Improvement N/A Unable to Verify

No finding

Health and Safety: Acceptable Needs Improvement N/A Unable to Verify

Medical & First Aid:

Acceptable Needs Improvement N/A Unable to Verify

No finding

Personal Protective Equipment (PPE):

Acceptable Needs Improvement N/A Unable to Verify

No finding

Fire & Emergency Safety:

Acceptable Needs Improvement N/A Unable to Verify

1. Requirement: In accordance with Article 16 of the Fire Control Law of the People's Republic of China, Organs, groups, enterprises and institutions, etc shall fulfill the following duties on fire control 2.allocate fire control facilities and devices in accordance with relevant regulations, set up fire symbol and carry out regular inspection and maintenance to make sure they are in perfect condition.

Previous Finding: Auditors noted that no emergency evacuation plan was posted in the canteen and warehouse. Factory had made the corrective action before auditors left the factory.

Corrective Action Taken: It was noted that emergency evacuation plan was posted in the canteen and warehouse during the follow up audit.

2. Requirement: In accordance with Article 11.3.4 of the Code for design of building fire protection and prevention (GB50016-2006): Lighting Evacuation Exit Signs should be placed right on the top of the doors, safety exits and along the evacuation passages of public building, high-rise industrial building (warehouse), Type A, B and C industrial building. And the setting should be compliant with the following specifications:

Right on the top of the safety exit and evacuation door should use SAFETY EXIT as indicator;

The Lighting Evacuation Exit Signs along the evacuation passage should be placed along the evacuation passage and its corner. And they should be placed with less than 1 meter in height on the wall. And the distance between exit signs should not be larger than 20 meter. For passages in curve, the distance should be less than 1 meter. The signs should be compliant with the requirement of current national standard of Fire Safety Sign (GB13495).

Previous Finding: Auditors noted that and no exit sign was installed on the top of 1 out of 2 safety exits on 3rd floor of production building and exit sign installed on printing workshop on floor without illuminating. Factory had made the corrective action before auditors left the factory.

Corrective Action Taken: It was noted that exit signs were installed above all emergency exits in the factory during the factory tour in the follow up audit,

and all exit signs were illuminated.

Machine & Electrical Safety:

Acceptable Needs Improvement N/A Unable to Verify

1. Requirement: 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.

Previous Finding: Auditors noted that the warning sign marked on electricity connection box and area switch box in the factory was not compliance with the legal requirement.

Corrective Action Not Taken: It was noted that the warning sign was marked on electricity connection box in the factory. However, the graphic border of the warning sign was round-shaped, which was not compliance with the legal requirement of triangular-shaped.

Recommended Corrective Action Plan: Please ensure that all p electricity devices and circuit in the factory are marked with appropriate warning signs to avoid electric shock.

2. Requirement: In accordance with Article 28 of Safety Monitoring Regulation of Special Equipment (PRC State Council Order # 373), The enterprise who is using the special equipment should apply to inspection & test authority for regular inspection one month before the expiry date of the "pass" status in accordance with the regular inspection criteria of the safety specification. Special equipment without regular inspection or not passing the inspection should not be continued to use.

Previous Finding: Auditors noted that factory management failed to provide the auditors with the safety inspection reports for one forklift being used in the factory for review.

Corrective Action Not Taken: Auditor noted that factory management still failed to provide the auditor with the safety inspection reports for one forklift being used in the factory for review during the follow up audit.

Recommended Corrective Action Plan: Please ensure that a safety inspection for the forklift being used in the factory is conducted and the safety inspection certificate is obtained.

The factory management explained the safety inspection for the forklift had been done and the inspection report would be ready before the end of December 2011.

3. Requirement: In accordance with Article 21 of the Management Regulation on Safety Training and Assessment for Special Operator, special operator certificate shall be inspected every 3 years.

During the validity date for the special operator certificate, for the special operators who have worked in the same position continuously for more than 10 years and was compliance with the safety laws and regulations, their certificate can be inspected every six years when it is agreed by the original organization where the pervious certificate was issued or local certificate issuing organization where the factory locate.

Previous Finding: Auditors noted that no regular inspection had been performed for the electrician certificate. Per documents review. According to

the special operation certificate for the electrician, it was noted that the certificate was issued in November 2007 and the inspection shall be performed in November 2009 and March November 2011 respectively. However, it was noted that no inspection had been performed and the certificate expired as of the audit date.

Corrective Action Taken: It was noted that the regular inspection had been done to the electrician certificate during the follow up audit.

4. Requirement: In accordance with 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.

Previous Finding: Auditors noted that one electrical panel in warehouse was exposed without insulation protective device. However, before closing meeting, factory already corrected it.

Corrective Action Taken: It was noted that all the electrical panels in the factory were well covered with insulation protective device during the factory tour in the follow up audit.

Hazardous Material:

Acceptable Needs Improvement N/A Unable to Verify

Requirement: 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.

Previous Finding: Auditors noted that all chemical containers used in factory were not posted with a safety label.

Corrective Action Taken: It was noted that all the containers for the chemicals stored or being used in the factory were posted with safety labels during the follow up audit.

Sanitation:

Acceptable Needs Improvement N/A Unable to Verify

No finding

Other:

Acceptable Needs Improvement N/A Unable to Verify

No finding

Dormitories:

Acceptable Needs Improvement N/A Unable to Verify

Requirement: In accordance with Article 11.3.1 of the Code for design of building fire protection and prevention

(GB50016-2006), the place of nonresidential civil building, factory and Type C warehouse below should install fire safety emergency lighting:

1. Enclosed stair, smoke prevention staircase and its atria, the atria and

sharing atria of fire lift;

2. Fire protection control room, fire protection water pump house, house generator room, switching house, smoke-proof and smoke-exhausting machinery room and other rooms that need to be normally functioned during the fire.

3. Auditorium, exhibition hall, business hall, multifunctional hall, dining hall with an area of more than 400 square meters, and broadcasting studio with an area of more than 200 square meters.

4. The public room of underground and semi-underground building or basement and semi-basement with 300 M2 in area

5. The evacuation passages in public building

In accordance with Article 11.3.3 of the Code of Fire Prevention for Architectural Design, emergency lights should be installed on the upside of wall, the ceiling or the top of exit.

Previous Finding: Auditors noted that no emergency light was installed at exits/evacuation passages/stairwells on 4th floor of dormitory building. However, before closing meeting, factory corrected it.

Corrective Action Taken: It was noted that emergency light had been installed above all exits/ evacuation passages/ stairwells on 4th floor of the dormitory building during the follow up audit.

Protection of the Environment:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Subcontracting:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Other Laws (if applicable):

Acceptable Needs Improvement N/A Unable to Verify
No finding

Labor Contract:

Acceptable Needs Improvement N/A Unable to Verify

Requirement: In accordance with Article 30 Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, When signing labor contracts (including employment contracts, the same hereinafter) with the laborers, the employing work unit shall inform the laborers, according to the facts, the harm of occupational diseases that might be engendered in the work process as well as the consequences thereof, the protective measures and treatment against occupational diseases, and shall indicate these information in the labor contract and may not conceal such information or cheat the laborers.

If the laborers are engaged in the operations that contain the harm of occupational diseases that haven't been informed in the labor contracts signed, because of the change of work posts or work contents during the contracted period of labor, the employers shall perform the obligations to inform the laborers according to the facts in accordance with the provisions of the preceding paragraph, and shall negotiate to change the relevant terms of the original labor contracts.

If the according to the facts violates the provisions of the preceding two paragraphs, the laborers have the right to refuse to undertake the operations

containing the harm of occupational diseases, and the according to the facts may not cancel or terminate the labor contracts signed with the laborers.

Previous Finding: Auditors noted that occupational disease might result in the work process of some employees in the factory (e.g. employees handling printing with toluene). However, the facts, harmful effects, consequences, protective measures and necessary treatment of occupational diseases were neither communicated to relevant employees nor indicated in their employment contracts.

Corrective Action Taken: It was noted that the facts, harmful effects, consequences, protective measures and necessary treatment of occupational diseases might result in the work process had been communicated to relevant employees and indicated in their employment contracts.

Other:

Acceptable Needs Improvement N/A Unable to Verify
No finding

Publication:

Acceptable Needs Improvement N/A Unable to Verify
No finding
