

ILS Social Compliance Audit

Audit ID #: A4617890 **Date Audit Conducted:** Yr/Mo/Day 2017/6/8-9
Code Conducted to: Disney **Audit Report Date:** Yr/Mo/Day 2017/6/16
Audit Type: Initial First F/U Second F/U Third F/U Other F/U

Facility Information

Facility ID No.: N/A
Facility Name: Zhongshan City GuanRui Metal & Plastic Co. Ltd
Address Line 1: No. First, No 30, Dong Cheng Road, Dongsheng Town, Zhongshan City, Guangdong Province, China
Address Line 2: Nil
Address Line 2: Nil
City: Zhongshan **State/Province:** Guangdong
Town: Dongsheng **Country:** China
Postal Code: 528400 **GPS Location:**
Contact Last Name: Liu **Contact First Name:** Wei
Primary Email: gr1@guangruimetal.com **Telephone:** 86-760-28101370
Contact Person Title: Sales Manager **Fax:** 86-760-28101373

Name/Address/Ownership Updates

Facility Name: Nil
Facility Address: Nil
Facility Ownership Update: Nil

Upcoming Relocation or Expansion: Nil

Audit Team

Audit Firm: Intertek Testing Services Shenzhen Ltd.
Lead/ Exclusive Auditor: Josephine Li
Number of Auditors: One auditor in two days
Audit Team Member 1: Josephine Li **Audit Team Member 2:** Nil
Audit Team Member 3: Nil **Audit Team Member 4:** Nil
Audit Team Member 5: Nil **Audit Team Member 6:** Nil
Audit Team Member 7: Nil **Audit Team Member 8:** Nil

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:

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

Products Produced: Accessories: Accessories

Disney Products Observed: None

Production Processes: Die casting, polishing, coloring, inspection, packing

Total Employees: 73 **#Production Employees:** 63
Buildings: 2

Buildings by Purpose: 1/ Die casting, polishing, coloring, inspection, packing, Warehouse, 2/office

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** Normal: 08:00-12:00, 13:30-17:30

Other Brands Present? No

Establishment Date:Yr/Mo/Day 2011/8/1

Audit Details

Attendance Records Reviewed:

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

Payroll Ledgers Reviewed:

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

March August
Last Pay Date:Yr/Mo/Day 2017/5/30 **Number of Records Sampled:** 20
Individual Employee Interviews: 10 **# Employee Group Interviews:** 0

Numbers per Group:

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

Explain Additional Location Details:

Comments/Observations:

Communicated Findings With: Mr. Liu Wei/ Sales Manager

Agreed to and Signed CAPAR? Yes No Unknown

Audit Entered by:(Name) Josephine Li

Comments Details

Comments:

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

Attendance Records Provided: 13 months and 9 days /May 1, 2016 – June 9, 2017

Payroll Records Provided: 12 months / May 2016 – April 2017

Number of Records Sample: Current: April 2017 – 10, Random month: January 2017 – 5, Random month: October 2016- 5

Resources Received from Facility (i.e. transportation, meals): The facility provided lunch to auditor and auditor had paid for it.

Factory Representative in opening meeting (name/title): Mr. Liu Wei/ Sales Manager

Factory Representative in closing meeting (name/title): Mr. Liu Wei/ Sales Manager

(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.)

There are two other facilities located at the same production building with the audited facility, Zhongshan Ai Lan ribbon factory which manufacturing ribbon rent part of the flat production building, the other facility named Zhongshan Hong Dat printing Co. Ltd which manufacturing printing product rent part of the flat production building too.

Another facility named Zhongshan Dong Xin International logistics co. LTD share the one 3-storey office building with the audit facility, Zhongshan Dong Xin International logistics co. LTD is located on 3F of the 3-storey office building and the audit facility Zhongshan City GuanRui Metal & Plastic Co. Ltd is located on 1F and 2F of the 3-storey office building.

The audited facility had provided the rental agreement for review. These facilities have independent business licenses with different management system. In addition, according to on site observation, employees and management interviewed, the employees and managements in these facilities would not mingle to use.

Audit Violations

Age Requirement

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

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Young Persons:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Association: Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Coercion and Harassment:

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Physical Abuse or Sexual Harassment:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Compensation: Minimum Wage:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Remarks:

Local minimum wage standard: (wage per hour or per month): RMB1510 per month equivalent to RMB 8.68 per hour

Overtime Hours:

Acceptable Needs Improvement N/A Unable to Verify

Employees work in excess of the legal overtime limit.

Law / Code:

The PRC Labour Law (Article 41) requires that the employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and labourers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of labourers is guaranteed. However, the total extension in a month shall not exceed thirty-six hours.

Additional Comments:

Auditor noted that the monthly overtime hours of 10 out of 10 randomly selected employees ranged from 52 to 56 hours in April 2017, the monthly overtime hours of 5 out of 5 randomly selected employees were 40 hours in January 2017 and the monthly overtime hours of 4 out of 5 randomly selected employees were 52 hours in October 2016.

Remarks:

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

2. Through reviewing of the provided timecards and employees' interview, working hour statistics was as the following:

1) For April 2017 (current month), the maximum weekly working hours were 54 hours (10 out of 10 samples), the maximum monthly overtime were 56 hours per month (9 out of 10 samples).

2) For January 2017 (random month), the maximum weekly working hours were 54 hours (5 out of 5 samples), the maximum monthly overtime were 40 hours per month (5 out of 5 samples).

3) For October 2016 (random month), the maximum weekly working hours were 54 hours (5 out of 5 samples), the maximum monthly overtime were 52 hours per month (4 out of 5 samples).

Overtime Wage:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

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 that employees shall participate in the basic endowment insurance, and the basic endowment insurance premiums shall be jointly paid by employers and employees.

Social Insurance Law of the People's Republic of China (Article 23) requires that 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.

Social Insurance Law of the People's Republic of China (Article 33) requires that Employees shall participate in the employment injury insurance, and the employment injury insurance premiums shall be paid by their employers rather than the employees.

Social Insurance Law of the People's Republic of China (Article 44) requires that 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.

Social Insurance Law of the People's Republic of China (Article 53) requires that 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:

Auditor noted that only 45 out of 73 employees (62%) had participated in maternity insurance and unemployment insurance, basic endowment insurance, 64 out of 73 employees (87.6%) had participated in employment injury insurance, basic medical insurance.

Remarks:

Regular Pay Date: 30th 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 was provided to employees

Fire & Emergency Safety:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Hazardous Material:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Machine & Electrical Safety:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Medical & First Aid:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Eye wash stations are not installed or do not function properly.

Law / Code: The PRC Law of Prevention and Control of Occupational Diseases(article 26) requires at the workplace with toxic and hazardous substances where acute occupational injuries may occur, the employer shall have such places equipped with alarming devices, first-aid articles and washing equipment, and have emergency exit passages built and necessary risk obviating areas prepared. For the workplaces exposed to radioactive substances and the transportation and storage of radioisotope, the employer shall install protective equipment and alarming devices,

and make sure that the employees exposed to radioactive rays wear dosimeters for personal use. With regard to the equipment for prevention of occupational diseases, emergency rescue facilities, and the articles to be used by individuals for prevention of occupational diseases, the employer shall have them maintained and overhauled regularly and have their properties and effects tested periodically, in order to keep them in normal condition. Without authorization, it may not have them dismantled or discontinued their use.

In addition, in accordance with standards for the Design of Industrial Enterprises (GBZ1-2010) 8.3, In workplaces or workshops where chemical burns or acute poisoning resulting from mucous absorption may occur, emergency response facilities should be established nearby based on the potential or existing occupational hazardous factors and characteristics. Emergency response facilities should include shower and eye wash devices with continuous water supply, gas protection cabinet, personal protective equipment, first-aid kit and medicine, stretcher and devices for transfer of patients, first aid equipment and communications equipment for emergency rescue.

Additional Comments: Auditor noted that toxic substance (such as paint) was used in the coloring Workshop and paint mixing room, but no specialized eye wash station was installed at that place, only hand-held eye wash station was provided.

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

A workplace safety officer is not on staff or not properly certified as required.

Law / Code: Law of the PRC on Work Safety (Article 24) requires the principal in charge and persons for the management of work safety in production and business entities have to have the knowledge about work safety and the competence for the management, which are commensurate with the production and business activities of these entities.

The principal in charge and persons for the management of work safety in production and business entities that produce, trade or store hazardous articles, and mines, metal smelting, building construction, and road transport shall only be appointed to the posts after they pass the examinations in their knowledge about work safety and their competence in the management conducted by the competent departments for work safety supervision and administration. No fees shall be charged for taking such examinations.

Entities that produce or store hazardous articles, and mines, metal smelting shall have certified safety engineer to work on the management of work safety.

Additional Comments: Auditor noted that the facility could not provide the qualification certificate of the principal in charge and persons for the management of work safety for review.

Occupational health examinations are not provided to employees as required.

Law / Code: The PRC Law of Prevention and Control of Occupational Diseases (article 36) requires the employer shall conduct regular occupational health examination for those laborers who are engaged in using or contacting noxious articles in their working process as required by medical administrative department under the State Council. The occupational health examination should be conducted before laborers start to take work post, in the course of the work post and after leave the work post and employer should inform the laborers of the result of the occupational health examinations. The expense of the occupational health examination should be borne by employers. Employer should not arrange laborers without the occupational health examination to be engaged in the work with using or contacting noxious articles, or laborers with any occupational prohibitions to be engaged in the prohibited work from them. Once the occupational health examination indicates that employee is suffering from the occupational disease in relation to his or her occupation, the employer shall transfer such a laborer out of his or her original work post, and allocate him or her in a proper way. Employer should not rescind or terminate the contracts signed with those employees without the occupational health examination at time of leaving the work post.

Additional Comments: Auditor noted that there were 20 employees (total 20 employees) were working in printing workshop with hazardous chemicals including paint, 8 employees working in polishing workshop contact with dust and 5 employees working in punching workshop contact with noise. However, only 10 employees' periodic occupational health examination reports which required by law were provided for review.

Personal Protective Equipment (PPE):

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Sanitation:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Involuntary Labor:

Mandatory Overtime:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Prison, Bonded, Indentured, Forced Labor:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Monitoring and Compliance:

Ethics:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Insufficient or Inadequate Records:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Transparency:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Non-Discrimination:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Other Laws (if applicable):

Labor Contract:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Other:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Protection of the Environment:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Legally required environmental impact assessment is not conducted or the assessment results are not submitted to the authority as required.

Law / Code: The PRC Environmental Impact Assessment Law (Article 16) requires the state conducts systematic management over the Environmental Impact Assessment of construction projects in accordance with the degree of impact on the environment. Construction units shall compile Environmental Impact Report, Environmental Impact Report Form or fill out Environmental Impact Registration Form (hereinafter referred to as Environmental Impact Assessment Documents) under the following rules: (1) For those that may cause heavy environmental impact, Environmental Impact Report shall be compiled, and the environmental impact produced shall be fully assessed. (2) For those that may cause slight environmental impact, Environmental Impact Report Form shall be compiled, and the environmental impact produced shall be analyzed or specially assessed. (3) For those that have very little environmental impact and do not need any Environmental Impact Assessment, Environmental Impact Registration Form shall be filled out. The construction projects' systematic management directory of Environmental Impact Assessment is made and published by the environmental protection administration agency under the State Council.

Additional Comments: Auditor noted that products in the facility are metal craft, and the main processes are die casting, punching, polishing, coloring, inspection and packaging, waste gas and hazardous waste generated from manufacturing would cause influence on the environment. EIA document shall be compiled for assessing detailed environmental impacts and relevant protective measures. However, the facility could not provide EIA document for review.

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

Law / Code: The PRC Environmental Impact Assessment Law (article 22) requires The construction unit shall submit the Environmental Impact Report or Environmental Impact Report Form 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. The state implements register management for Environmental Impact Registration Form.

Additional Comments: Auditor noted that the facility could not provide the EIA approval for construction project for review.

Publication:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

Acceptable

Law / Code: #####

Additional Comments: No apparent violation

Subcontracting:

Acceptable Needs Improvement N/A Unable to Verify

Predetermined Comments:

N/A

Law / Code: #####

Additional Comments: Auditor confirmed that Zhongshan City GuanRui Metal & Plastic Co. Ltd not subcontract or receive Disney-branded production from any facility or other sources.