

## ILS Social Compliance Audit

**Audit ID #:** A4657422      **Date Audit Conducted:** 2017/12/22  
Yr/Mo/Day

**Code Conducted to:** Disney      **Audit Report Date:** 2017/12/28  
Yr/Mo/Day

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

### Facility Information

**Facility ID No.:** N/A

**Facility Name:** Zhaoqing Yao Hong Precision Metal & Plastic Ltd.

**Address Line 1:** Baizu Industrial Park, Gao Yao City, Zhao Qing City, Guangdong Province, China

**Address Line 2:**

**Address Line 2:**

**City:** Zhaoqing      **State/Province:** Guangdong

**Town:** Baizu      **Country:** China

**Postal Code:** 526117      **GPS Location:**

**Contact Last Name:** Songlin      **Contact First Name:** Lv

**Primary Email:** gx2006hb@163.com      **Telephone:** 86-758-8418656

**Contact Person Title:** Plant Manager      **Fax:** 86-758-8418656

### 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:** Jack Zheng

**Number of Auditors:** 1

**Audit Team Member 1:** Jack Zheng

**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:**

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

**Products Produced:** Accessories / Badges and Pins

**Disney Products Observed:** None

**Production Processes:** Punching, Casting, Polishing, Carving, Welding, Painting, Packing

**# Total Employees:** 72 **#Production Employees:** 62

**# Buildings:** 5

**# Buildings by Purpose:**  
1/ Punching, Casting, Polishing, Carving  
2/ Warehouse  
3/ Welding, Painting, Packing, Warehouse, Office

4/ Dormitories  
5/ Dormitories

**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: 08:00-17:30 with 1.5 hours lunch break from 12:00-13:30

**Other Brands Present?**

THD, Brand, Elgate

**Establishment Date: Yr/Mo/Day**

2007/03/01

**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 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 checked="" 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 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 checked="" type="checkbox"/> August |   |

**Last Pay Date: Yr/Mo/Day**

2017/11/25

**Number of Records**

20

<b># Individual Employee Interviews:</b>	10	<b>Sampled:</b>	
		<b># Employee Group Interviews:</b>	0
<b>Numbers per Group:</b>	0		
<b>Additional Locations Audited?</b>	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes; Locations not under same business license	
	<input type="checkbox"/> Yes; Location under same business license	<input type="checkbox"/> Yes; unknown	

**Explain Additional Location Details:**

**Comments/Observations:**

**Communicated Findings With:** Mr. Chaozhi Luo / HR Supervisor

**Agreed to and Signed CAPAR?**  Yes  No  Unknown

**Audit Entered by:** (Name) Jack Zheng

**Comments Details**

Comments:

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

Attendance Records Provided: 14/ November 1, 2016 to December 22, 2017

Payroll Records Provided: 12/ November 2016 to October 2017

Number of Records Sample: Current: October 2017 - 10, Random month: August 2017 - 5,  
Random month: April 2017 -5

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

Factory Representative in opening meeting (name/title): Mr. Chaozhi Luo / HR Supervisor

Factory Representative in closing meeting (name/title): Mr. Chaozhi Luo / 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:*

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): RMB1350 per month equivalent to RMB 7.76 per hour (1350/21.75/8) and since May 1, 2015

**Overtime Hours:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

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

Law / Code:

Disney Code of Conduct: 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:

Auditor found that 5 out of 5 randomly selected employees worked 61 to 72 hours a week for 22 weeks and 72.5 to 74 hours a week for 4 weeks during period of November 2016 to October 2017.

Employees work in excess of 72 hours per week.

Law / Code:

Disney Code of Conduct: 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:

Auditor found that 5 out of 5 randomly selected employees worked 72.5 to 74 hours a week for 4 weeks during period of November 2016 to October 2017.

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

Law / Code:

The PRC Labor Law (Article 38) requires the employing unit shall guarantee that its staff and employees have at least one day off in a week.



**Additional Comments:**

Auditor found that 5 out of 5 randomly selected employees worked for 13 consecutive days without 1 day off in August 2017 (random month), and 5 out of 5 randomly selected employees worked for 13 consecutive days without 1 day off in April 2017 (random month).

Employees work in excess of the legal overtime limit.

**Law / Code:**

The PRC Labor 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 laborers, 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 laborers is guaranteed. However, the total extension in a month shall not exceed thirty-six hours.

**Additional Comments:**

Auditor found that:

1) Monthly overtime exceeded legal requirement. The monthly overtime hours of 10 out of 10 randomly selected employees reached 68.5 hours in October 2017 (current month); the monthly overtime hours of 5 out of 5 randomly selected employees reached 110.5 hours in August 2017 (random month); the monthly overtime hours of 5 out of 5 randomly selected employees reached 114.5 hours in April 2017 (random month).

2) Daily overtime exceeded legal requirement. The daily overtime hours of 5 out of 5 randomly selected employees reached 3.5 hours in August 2017 (random month).

**Remarks:**

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

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

1) For October 2017 (current month), the maximum weekly working hours were 57 hours (10 out of 10 sample), the maximum monthly overtime were 68.5 hours per month (10 out of 10 sample).

2) For August 2017 (random month), the maximum weekly working hours were 71.5 hours (5 out of 5 selected sample), the maximum monthly overtime were 110.5 hours per month (5 out of 5 sample).

3) For April 2017 (random month), the maximum weekly working hours were 74 hours (5 out of 5 selected sample), the maximum monthly overtime were 114.5 hours per month (5 out of 5 sample).

**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 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 found that only 12 out of 72 employees (16.67%) had participated in basic endowment insurance, basic medical insurance, unemployment insurance, employment injury insurance, and maternity insurance. (Remark: the facility purchased commercial group accident insurance for 80 employees, valid from November 4, 2017 to November 3, 2018.)

**Remarks:**

Regular Pay Date: on or before 25<sup>th</sup> 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:*

Acceptable

Law / Code: #####

Additional Comments: No apparent violations.

**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

*Predetermined Comments:*

Acceptable

Law / Code: #####

Additional Comments: No apparent violations.

**Machine & Electrical Safety:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

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

Law / Code:

Law of the PRC on Work Safety (Article 33) requires that the design, manufacture, installation, application, inspection, maintenance, repair of and safety facilities shall comply with the national or industrial standards. Manufacturing units shall maintain and inspect the safety facilities regularly to ensure they are in good working conditions. Maintenance and inspection records should be properly maintained and assigned to relevant staff.

Additional Comments:

Auditor found that no belt guard was installed for the rolling part of 1 out of 8 punching machine located in one flat production building.

**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:*

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

Law / Code:

The Law of the PRC on Work Safety (Article 24) requires that 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 found that the facility could not provide the qualification certificate of the principal in charge and person for the management of work safety for review.

**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:

PRC on Work Safety (Article 42) requires that manufacturing units shall provide personal protective equipment to employees. Manufacturing units shall supervise and train employees to ensure they properly wear and use the personal protective equipment.

Additional Comments:

Auditor found that the facility did not provide rubber gloves for 20 painting employees on 2/F of one 3-storey production building.

**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:*

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

Law / Code:

PRC Environmental Impact Assessment Law (Article 16) requires that 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 found that products in the facility are badge and the main processes are casting, punching, polishing, welding, painting, 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 Environmental Compliance Certificate has not been obtained and/or not provided for review.

Law / Code:

The Measures for Administration of Environmental Protection Acceptance Check upon Completion of Construction Project (Article 17) requires that 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:

Auditor found that the facility could not provide the environmental protection acceptance check approval for their construction project 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 that 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.

Additional Comments:

Auditor found 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 violations.

**Subcontracting:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

N/A

Law / Code:

*Additional Comments:*

Through management interview and on-site observation, it was confirmed that the facility has not started production for Disney yet.