

## ILS Social Compliance Audit

**Audit ID #:** 10172641367      **Date Audit Conducted:** 2017/Oct/09  
Yr/Mo/Day

**Code Conducted to:** Disney      **Audit Report Date:** 2017/Oct/16  
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:** Quanzhou Guanghui Bags Co., LTD

**Address Line 1:** No.51 Xizhuang Road, Xianjing Industry Zone, Licheng District, Quanzhou City, Fujian Province

**Address Line 2:**

**Address Line 2:**

**City:** Quanzhou      **State/Province:** Fujian

**Town:**      **Country:** China

**Postal Code:** Not provided      **GPS Location:** N/A

**Contact Last Name:** Yu      **Contact First Name:** Juhua

**Primary Email:** guan@ghbags.com.cn      **Telephone:** 86-15805993280

**Contact Person Title:** Factory Director      **Fax:** 86-595-22420799

### Name/Address/Ownership Updates

**Facility Name:** N/A

**Facility Address:** N/A

**Facility Ownership Update:** N/A

**Upcoming Relocation or Expansion:** N/A

**Audit Team**

**Audit Firm:** BVCPS

**Lead/ Exclusive Auditor:** Lillian Liang

**Number of Auditors:** 2

**Audit Team Member 1:** Forrest Shi

**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:** 20%

**Products Produced:** Bags

**Disney Products Observed:** Bags with Frozen and Minnie

**Production Processes:** Cutting, sewing, printing, inspection, packing

**# Total Employees:** 70 **#Production Employees:** 50

**# Buildings:** 1

**# Buildings by Purpose:**

1/ 1st floor to 3rd floor: Cutting, sewing, printing. 4th floor: Office. And 5th floor to 6th floor: Inspection, packing, warehouse

**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/all departments: 08:00-12:00, 14:00-18:00

**Other Brands Present?**

GTC (20%), Walmart (10%)

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

2010/Nov/4

**Audit Details**

**Attendance Records Reviewed:**

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Unknown          | <input type="checkbox"/> April             | <input checked="" type="checkbox"/> September |
| <input 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 checked="" type="checkbox"/> December  |
| <input checked="" type="checkbox"/> March | <input checked="" type="checkbox"/> August |   |

**Payroll Ledgers Reviewed:**

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

	<input checked="" type="checkbox"/> March	<input checked="" type="checkbox"/> August	
<b>Last Pay Date:</b> Yr/Mo/Day	2017/Sept/30	<b>Number of Records Sampled:</b>	17
<b># Individual Employee Interviews:</b>	7	<b># Employee Group Interviews:</b>	0
<b>Numbers per Group:</b>	N/A		
<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:** Yu Juhua/Factory Director

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

**Audit Entered by:** (Name) Alex Jiang

**Comments Details**

Comments:

Name and Title of Others Present (ex. translators, observers, trainees): N/A

Attendance Records Provided: 13/ Sep 2016-Sep 2017

Payroll Records Provided: 12/ Sep 2016-Aug 2017

Number of Records Sample: December 2016: 5, March 2017: 5, August 2017: 7

Resources Received from Facility (i.e. transportation, meals): Auditors paid RMB10 each person for take-out food of the lunch.

Factory Representative in opening meeting (name/title): Yu Juhua/Factory Director, Wu Xuexia/Admin Manager

Factory Representative in closing meeting (name/title): Yu Juhua/Factory Director, Wu Xuexia/Admin Manager

## **Audit Violations**

### **Age Requirement**

#### **Child Labor:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

Remarks:

1. Local minimum age standard: 16 years
2. Minimum age of the factory's employees: 21 years

#### **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 or RMB7.76 per hour since July 1st, 2015 to June 30th, 2017. RMB1500 per month or RMB8.62 per hour since July 1st, 2017

2. Minimum wage paid by factory to workers: RMB10.92 per hour in the tested months.

**Overtime Hours:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

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

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

Disney Code of Conduct: In no circumstances, employee works more than 6 consecutive days without 1 day rest.

Additional Comments: Auditors noted that 5 out of 22 sample population employees worked seven days consecutively without rest.

A review of the sample population employees' time records (5 samples from December 2016, 5 samples from March 2017, 7 samples from currently paid month August 2017 and 5 samples from currently unpaid month September 2017) yielded the following:

(1) 5 out of 5 sample population employees worked 13 days consecutively without rest in September 2017, which was not in compliance with the client's standard.

Remarks:

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

2. Maximum overtime hours in a day/week/month, longest consecutive days worked and the maximum weekly working hours: According to the attendance records provided by the factory management, it was noted that maximum overtime hours were 2 hours per weekday and 90 hours per month. The maximum weekly working hours were 66 hours and maximum consecutive working days were 13 days.

3. Auditor selected the 5 samples and reviewed their attendance record from October 2016 to September 2017, noted that 5 out of 5 sample workers worked in excess of 60 hours per week (i.e. 66 hours) for 1 week from October 2016 to September 2017.



Employees work in excess of the legal overtime limit.

Law / Code: 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: Auditors noted that 22 out of 22 sample population employees worked in excess of the statutory overtime hour limits.

A review of 22 sample population employees' time records (5 samples from December 2016, 5 samples from March 2017, 7 samples from currently paid month August 2017 and 5 samples from currently unpaid month September 2017) yielded the following:

- 5 out of 5 sample population employees worked in excess of 36 overtime hours per month (i.e. 90 hours) in September 2017, which was not in compliance with the legal requirement;
- 7 out of 7 sample population employees worked in excess of 36 overtime hours per month (i.e. 78 hours) in August 2017, which was not in compliance with the legal requirement;
- 5 out of 5 sample population employees worked in excess of 36 overtime hours per month (i.e. 76-78 hours) in March 2017, which was not in compliance with the legal requirement;
- 5 out of 5 sample population employees worked in excess of 36 overtime hours per month (i.e. 82-84 hours) in December 2016, which was not in compliance with the legal requirement.

**Overtime Wage:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

Remarks:

Overtime wage paid by the factory: According to the payroll and attendance records provided by factory, auditors noted that all sampled employees were compensated 150% and 200% of their normal wages for overtime conducted on weekdays and rest days respectively, which was in compliance with legal requirement. No overtime work was arranged on statutory holidays.

**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: 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, it was noted that only 30 out of 69 employees were provided with accident insurance, 25 out of 69 employees were provided with maternity, medical, pension and unemployment insurance in September 2017.

Remark: Factory had purchased the commercial group accident insurance for 73 employees, valid from May 23, 2017 to May 22, 2018

*Remarks:*

Regular Pay Date: at the end of next 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: Factory didn't provide the dormitory to employees

**Fire & Emergency Safety:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Poor housekeeping in the warehouse storage area.

Law / Code: Article 18 of Rules for Warehouse Fire Prevention Safety Management: The goods in warehouse should be classified for storage. The area occupied by any single stack should not be greater than 100 square meters. Space shall be at least 1 meter between stacks; Space shall be at least 0.5 meter between stacks and the wall; Space shall be at least 0.3 meter between stacks and beams or posts. The width of main passages shall be at least 2 meters.

Additional Comments: Auditors noted that gap between stacks and posts was 0 meter in the finished products warehouse of one 6-storey production building, which was less than the legal requirement of 0.3 meter.

**Hazardous Material:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Chemicals are not properly stored or marked.

Law / Code: 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: Auditors noted that 3 out of 5 printing ink containers being used in the printing workshop of one 6-storey production building were not posted with safety label.

Secondary containment is not provided for chemicals.

Law / Code: 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, firefighting, blast-proof, pressure discharging, poison-proof, neutralizing, moisture-proof, lightening-proof, static-proof, antiseptis, 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: Auditors noted that there was no anti-leakage facility (e.g. secondary container) in the printing and sewing workshop for printing ink and machine oil.

**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: 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: Auditors noted that no warning sign was marked on 2 out of 15 switch boxes in production workshop of one 6-storey production building.

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

Law / Code: Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene, the exposed dangerous components or part of any transmission belts, rotational axis, transmission chain, coupling, belt wheel, gear, flying wheels, chain wheels, electric saw and others, which is within 2 meters height of the plane where the operator is operating such devices shall be equipped with safety devices.

Additional Comments: Auditors noted that 2 out of 10 sewing machines were not equipped with needle guards and 1 out of 10 sewing machines were not equipped with pulley guard in the sewing workshop of one 6-storey 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:*

Occupational health examinations are not provided to employees as required.

Law / Code: Article 36 Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases, for the laborers that are engaged in the operations contacting the harm of occupational diseases, the employing work unit shall organize the occupational health examination of the laborers before they take the posts, when they are at the posts and when they leave the posts, the employing work unit shall inform the laborers of the examination results. The employing work unit shall afford the expenses needed for the occupational health examination.

The employing work unit may not assign the laborers that haven’t gone through the pre-post occupational health examination to undertake the operations involving the harm of occupational diseases; may not assign the laborers that have occupational contraindications to undertake the operations that they shall avoid; the laborers that are found to have the health injuries related to their posts during the occupational health examination shall be transferred from their former posts and be settled appropriately; and the employing work unit may not cancel or terminate the labor contracts signed with the laborers that haven’t gone through the occupational health examination before they leave their posts.

The occupational health examination shall be undertaken by the medical health institutions approved by the administrative departments of health of the people’s governments at the provincial level and above.

Additional Comments: Auditors noted that the factory provided the occupational health checks to employees yearly in printing and cutting workshop who were in contact with dimethylbenzene, dust and noise. However, the occupational health checks were not provided to employees before they take the posts or leave the posts.

**Personal Protective Equipment (PPE):**

Acceptable     Needs Improvement     N/A     Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Sanitation:**

Acceptable     Needs Improvement     N/A     Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Involuntary Labor:**

**Mandatory Overtime:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Other:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Prison, Bonded, Indentured, Forced Labor:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Monitoring and Compliance:**

**Ethics:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Insufficient or Inadequate Records:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Other:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Transparency:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Non-Discrimination:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations



**Other Laws (if applicable):**

**Labor Contract:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

**Other:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

The facility has not prepared an employee roster with all required information.

Law / Code: Article 8 of Regulation on the Implementation of the Employment Contract Law of the People's Republic of China, The roster of employees as mentioned in Article 7 of the Employment Contract Law shall contain the employees' name, gender, citizen's identity number, registered permanent residence address and current address, contact information, form of employment, start time of employment, and term of the employment contract, etc.

Additional Comments: Auditors noted that the roster provided by factory management did not include the information of contact information, form of employment, employees' current living address, and term of the employment contract.

**Protection of the Environment:**

Acceptable    Needs Improvement    N/A    Unable to Verify

*Predetermined Comments:*

Acceptable

Law / Code:

Additional Comments: No apparent violations

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**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

Additional Comments: Auditor confirmed that [Quanzhou Guanghui Bags Co., Ltd] does not subcontract or receive Disney-branded production from any facility or other sources since Oct 2016 to Oct 2017.