



2010

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT\*

**COMPANY:** Zephyr Graf-X  
**COUNTRY:** China  
**FACTORY CODE:** 130015414HV  
**MONITOR:** Global Standards  
**AUDIT DATE:** October 16, 2009  
**PRODUCTS:** Knitted Hats, Knitted Scarves  
**PROCESSES:** Knitting, Linking, Packing,  
Inspection, Shipping  
**NUMBER OF WORKERS:** 32

**Company Comment:** Zephyr is discontinuing its relationship with the supplier due to compliance related problems. The factory management has continually ignored requests for information, collaboration on remediation, progress updates, and records transparency. The management has made little to no attempt to implement the CAPs or improve conditions in the factory. After several written warnings over the past 18 months, Zephyr has made the decision to sever the business relationship.

The factory has reported that Zephyr represents less than 10% of its total production, and this decision will not significantly affect its day-to-day operations. Our orders have been consistently decreasing for the past six months, with only one remaining order still in production. It is due to ship in July 2011.

However, we remain committed to attempting to implement a CAP designed to address the issues brought forth in the IEM and IEV reports. We will continue our efforts until the final order ships in July 2011; beyond that, we will continue to monitor progress on any critical issues. Any progress updates received will be reported to the FLA. Verification documents and photographs will be kept at Zephyr's headquarters, and can be provided to the FLA upon request. Unfortunately, there are no additional FLA companies currently sourcing from this factory.

At the time of our final order shipment, we will ask the factory for a summary of the remaining open issues, and encourage continued remediation, especially regarding any critical issues.

\*To read the original IEM report of this factory, please visit the FLA website [here](#).  
For an explanation on how to read this report, please visit the FLA website [here](#).



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**Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses**

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

**Noncompliance**

**Explanation:** [New Finding:](#) It was noted that factory could not provide contribution receipt of social benefits after February 2010. Based on receipts of February 2010, only 26 workers had participated in all 5 kinds of social insurance. Factory management claimed that responsible staff was on leave, and that is why they could not provide receipts for the rest of the workers.

[Legal Reference:](#) PRC Labor Law, Article 72

**Plan Of Action:** Factory has to ensure that records are always available, even when staff in charge is on leave. Social security receipts should be kept in files that are accessible to at least 3 designated managers or office staff. Factory will review policy and procedure created last year for access to attendance and pay records and make changes necessary to guarantee records are accessible during unannounced audits.

**Deadline Date:** 07/01/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## **Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation**

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

### **Noncompliance**

**Explanation:** Due to unannounced nature of audit, factory advised that they could not provide documents related to health and safety; wages and working hours; or other related documents for verification due to absence of in-charge personnel. The documents as per management could be retrieved only on Monday (10/19), that is, after 3 days of the audit. Thus, no records could be reviewed during audit date.

**Plan Of Action:** Zephyr has verified that wages and benefits records exist and are kept in files by HR manager. Factory understands that even if person in charge is not available, they will still need to provide access to all records.

Additional Finding: Wage slips for workers do not include a distinction between regular hours worked and overtime hours worked. Factory has agreed to add this.

**Deadline Date:** 07/01/2011

**Supplier CAP:** Factory has agreed to create a system to ensure that records are available at all times.

**Supplier CAP Date:** 02/14/2010

**Action Taken:** Originally, HR manager was only person with key to files containing factory records and documents. Factory has created system where each record will be copied and stored in separate location, so a second person has access. In addition, factory manager will have master key to files.

**Plan Complete:** No

**Plan Complete Date:**



**Action Verified:** No

**Action Verified Text:** [Ongoing:](#) As per document review and management interview, it was noted that factory did not provide workers' payroll records from February to April 2010 for auditors' review.

[Legal Reference:](#) Provisional Regulations for the Payment of Wages, Article 6

**Action Verified Date:** 11/23/2010

**Follow-up Plan of Action:** Factory has to ensure records are always available, even when staff person in charge is on leave. Pay records should be kept on the computer or in files that are accessible to at least 3 designated managers or office staff. Factory will review policy and procedure created last year for access to attendance and pay records and make changes necessary to guarantee that records are accessible during unannounced audits.

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## Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

### Uncorroborated Evidence of Noncompliance

**Explanation:** [New Finding:](#) It was noted that wages of 16 workers were being paid as low as RMB 6.25 per hour in June 2010. Furthermore, about 30% of total workers could not meet local minimum wage standard in June 2010.

[Legal References:](#) PRC Labor Law, Article 48 and Opinion of the Ministry of Labor on Several Questions Concerning Implementation of Labor Law (1995), Article 57

**Plan Of Action:** Factory will immediately conduct audit of these 16 workers to determine why their wages were lower than legal minimum wage in June 2010. A procedure to check workers' wages against legal minimum every month will be put into place by payroll manager. Factory also needs to put payment plan into place to pay 16 workers and any workers that have received wage shortages since that month; back wages by end of 2011. In addition, workers need to be able to calculate their wages. Examples should be posted or provided, and grievance channel should be set up so workers can contact payroll if they believe there is a problem with the calculation.

**Deadline Date:** 01/01/2012

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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### **Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation**

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

#### **Noncompliance**

**Explanation:** [New Finding:](#) It was noted that the basis used for overtime calculation of around 30% workers was lower than legal minimum wage in June 2010 (only RMB 6.25 per hour, instead of legally required RMB 6.44 per hour).

[Legal Reference:](#) PRC Labor Law, Article 44

**Plan Of Action:** [Factory will immediately conduct audit of these workers' overtime hours and payments to determine why their OT rate was lower than legal minimum. See rest of payroll plan above.](#)

**Deadline Date:** [01/01/2012](#)

**Action Taken:**

**Plan Complete:** [No](#)

**Plan Complete Date:**

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### **Wages, Benefits and Overtime Compensation: False Payroll Records**

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

#### **Noncompliance**

**Explanation:** [New Finding:](#) "Overtime hours," "overtime wages" and "minimum wages" issues could not be verified due to the following discrepancies:

a) As per broken needle records, there were broken needle replacement records on September 22 and October 29, 2010, but provided attendance records indicated that related workers were resting both days;

b) As per semi-products issuing records, there were semi-products issuing records on October 5, 10, 22 and 23, 2010, but provided attendance records indicated that related workers were resting these days.

**Plan Of Action:** Factory director will review record keeping procedures of all relevant departments (production, payroll, attendance/time cards) to determine problem areas. Director will hold meeting with all staff responsible for keeping records to develop ideas for increased communication and accuracy. Procedures should be revised to address problems and incorporate new ideas.

**Deadline Date:** 09/01/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## Wages, Benefits and Overtime Compensation: Pay Statement

WBOT.26 Employers shall provide workers a pay statement each pay period, which shall show earned wages, wage calculations, regular and overtime pay, bonuses, all deductions and final total wage. (P)

### Noncompliance

**Explanation:** [New Finding:](#) It was noted that no pay stubs provided for workers when factory paid wages.

[Legal Reference:](#) PRC Provisional Regulations for the Payment of Wages, Article 6 (Ministry of Labor Document No 489 (1994))

**Plan Of Action:** Factory will develop working hour and pay record that can be provided to workers with their monthly wages. It should include, at minimum, pay period, worker name, ID, regular hours worked, regular wage, OT hours worked, OT wage, leave taken, deductions, bonuses, and total amount due. Factory also needs policy stating all workers will receive written record of monthly hours and wages and procedure to implement system.

**Deadline Date:** 07/01/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

### Noncompliance

**Explanation:** [New Finding:](#) It was noted factory did not provide all production workers' labor contracts for auditors' review. Management reported that they had signed labor contracts with all workers, but that responsible staff was on leave on audit date, so they could not provide all workers' labor contracts for review.

**Plan Of Action:** Factory has to ensure records are always available, even when staff in charge is on leave. Labor contracts should be kept in personnel files that are accessible to at least 3 designated managers or office staff. Factory will review policy and procedure created last year for access to attendance and pay records and make changes necessary to guarantee that records are accessible during unannounced audits.

**Deadline Date:** 07/01/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

### Noncompliance

**Explanation:** [FLA Comment:](#) The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

**Plan Of Action:** Currently, union is made up of managers and supervisors and is affiliated with local government trade union branch. According to management, official union activities are organized by this local town branch. Union representatives visit factory to meet with workers, and listen to any problems or issues and explain local labor laws. Independent of those activities, factory union representatives will also help implement worker suggestions and solve worker complaints. Some examples include adding a ping pong table (partly funded by union) in break room/canteen and working with canteen cooks to alter food preparation schedule so food is served fresher and hotter. Workers enjoy the activities, but don't know why or who is putting them on. They don't feel like they are a part of it. Zephyr recommends that union communicates with workers more and posts a notice about what they do. In addition, factory management and/or union should proactively engage workers in forming their own Worker Committee.

**Deadline Date:** 01/01/2012



**Supplier CAP:** Factory has agreed to develop a plan with union to increase worker awareness and participation.

**Supplier CAP Date:** 02/14/2010

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified:** Pending.

**Action Verified Text:** Special Comments: Based on pre-audit information gathering and monitor's experience, no "independent" unionization is allowed in the PRC. Therefore, workers are not free to join any such organization. However, this is not in control of factory management; it is in control of the central government. There are labor unions in many factories, but unions belong to ACFTU; union representatives are assigned by factory management, instead of elected by workers.

**Action Verified Date:** 11/23/2010

**Follow-up Plan of Action:** The union needs to be more visible to workers.

1. Factory should keep union members, election information, and meeting records posted at all times.
2. The union should meet more often than every 2 months.
3. The union members should reach out to other workers often to discuss any problems.

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## Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

### Noncompliance

**Explanation:** Due to unannounced nature of audit, factory advised they could not provide documents related to health and safety; wages and working hours; or other related documents for verification due to absence of in-charge personnel. The documents, as per management, could be retrieved only on Monday (10/19), that is, after 3 days of the audit. Thus, no records could be reviewed during audit date.

**Plan Of Action:** Zephyr has verified that health and safety records exist and are kept in files by HR manager. Factory understands that even if person in charge is not available, they will still need to provide access to all records.

Additional Finding: Factory does not have MSDS posted near spot remover chemical, nor is it on file. Factory has agreed to add this and train workers using the chemical.

**Deadline Date:** 02/14/2010

**Supplier CAP:** Factory has agreed to create system to ensure that records are available at all times.

**Supplier CAP Date:** 02/14/2010

**Action Taken:** Originally, HR manager was only person with key to files containing factory records and documents. Factory has created system where each record will be copied and stored in separate location so that a second person has access. In addition, factory manager will have master key to files.

**Plan Complete:** Yes

**Plan Complete Date:** 11/23/2010

**Action Verified:** No

**Action Verified Text:** [Completed:](#) As per document review, it was noted that factory had provided policy, process and training records related to health and safety for auditor review. Moreover, factory had posted MSDS for chemicals used in factory.

**Action Verified Date:**

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### Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

#### Noncompliance

**Explanation:** [New Finding:](#) It was noted that 1 electrician's license was not sent for annual review in 2009.

[Legal Reference:](#) PRC Labor Law, Article 55

**Plan Of Action:** Factory will perform review of all licenses and certificates needed in factory to make sure all are current. In the future, there should be policy, procedure, and person responsible for conducting annual checks.

**Deadline Date:** 09/01/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

### Noncompliance

**Explanation:** 1. Self-check records of fire equipment not updated every month. Records only kept in January, April and May 2009.

2. Box of fire hose blocked by material in inspection area.

3. Aisle of warehouse is blocked.

**Plan Of Action:** During a visit to factory, Zephyr verified that fire equipment was checked in November 2009. Also, fire hose box and aisles were clear and unobstructed. To ensure that changes are sustainable, factory has agreed to continuous improvement model (Plan-Do-Check-Act) for all health and safety issues.

1. In short term, factory will immediately fix health and safety issues found during audit.

2. In long term, factory has agreed to plan based on continuous improvement methodology.

3. First step is to create policy and procedures that will ensure a safe working environment. Procedures include: appointing an H&S supervisor, forming an H&S Worker/Management Committee, and defining job duties, mandates and meeting schedules. Zephyr recommends that part of the job duties include worker awareness and training.

4. Second step is to verify that policy and procedure are followed. This includes completing monthly checklist, and reviewing checklist, meeting minutes, and any training or certifications.

5. Last step is to allow for continuous improvement in program. Factory can do this by setting targets and goals, collecting and analyzing performance data, and meeting at least annually with top management to discuss modifications, suggestions, and improvements.

**Deadline Date:** 11/09/2009



**Action Taken:** During visit to factory, Zephyr verified that fire equipment was checked in November 2009. Also, fire hose box and aisles were clear and unobstructed.

**Plan Complete:** Yes

**Plan Complete Date:** 11/09/2009

**Action Verified:** No

**Action Verified Text:** Completed: As per factory tour, it was noted that:

1. Self-check records of fire equipment were updated every month;
2. All fire equipment was easily accessible;
3. All aisles were clear.

**Action Verified Date:**

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## Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

### Uncorroborated Evidence of Noncompliance

**Explanation:** First aid kit observed to be empty.

New Finding: It was noted that 2 emergency evacuation exits in dormitory building, 2 emergency evacuation exits in canteen, and 1 emergency evacuation exit in production building open in opposite direction of evacuation (inwards).

Legal Reference: Fire Safety of Building Design Regulation (GB50016-2006), Article 7.4.12

**Plan Of Action:** During visit to factory, Zephyr verified that first aid kit has been fully stocked. To ensure that changes are sustainable, factory has agreed to continuous improvement model (Plan-Do-Check-Act) for all health and safety issues. See H&S.9 above for details.

New Finding: Factory will conduct audit of all buildings to ensure:

1. Emergency evacuation routes and exits clearly marked;
2. Each room has an evacuation plan that is clearly posted;
3. All doors open with direction of the evacuation route;
4. All emergency bells, alarms, and lights are functioning properly;
5. All workers receive training and participate in twice yearly evacuation drills. Doors mentioned in audit report should be adjusted so they open with, instead of against, evacuation route.

**Deadline Date:** 07/01/2011

**Supplier CAP:** During visit to factory, Zephyr verified that first aid kit has been fully stocked.

**Supplier CAP Date:**

**Action Taken:** Originally, HR manager was only person with key to files containing factory records and documents. Factory has created system where each record will be copied and stored in separate location, so that a second person has access. In addition, factory manager will have master key to files.

**Plan Complete:** Yes

**Plan Complete Date:** 11/09/2009

**Action Verified:** No

**Action Verified Text:** Completed: As per factory tour, it was noted that all first aid kits kept with proper items.

**Action Verified Date:** 11/23/2010

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## Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

### Noncompliance

**Explanation:** [New Finding:](#) It was noted that factory has provided personal protective equipment (PPE), such as facemasks, to workers in Cone Winding section. However, it was observed that none of the workers wear any PPE.

[Legal Reference:](#) Safety Manufacturing Law, Article 37

**Plan Of  
Action:**

Factory will:

1. Post notices in Cone Winding section (and any other location where PPE is needed) explaining need to wear equipment and the health risks associated with not wearing equipment;
2. Hold training for workers;
3. Instruct shift supervisors to monitor PPE usage.

**Deadline  
Date:** 07/01/2011

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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## Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

### Noncompliance

**Explanation:** According to on-site visit, there is no secondary protection container to prevent leaking of chemical materials.

**Plan Of Action:** Factory has added secondary protection container around spot remover chemical. To ensure that changes are sustainable, factory has agreed to continuous improvement model (Plan-Do-Check-Act) for all health and safety issues. See H&S.9 above for details.

**Deadline Date:** 07/01/2011

**Action Taken:** Factory has added secondary protection container around spot remover chemical.

**Plan Complete:** Yes

**Plan Complete Date:** 12/28/2009

**Action Verified:** No

**Action Verified Text:** Pending: Factory uses cleaning solvents and lubricating oil. It was noted that there was no secondary protection container to prevent leaking of chemicals.

**Action Verified Date:** 11/23/2010

**Follow-up Plan of Action:** Factory will add secondary protection containers around all chemical containers.

### **Health and Safety: Machinery Maintenance and Worker Training**

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

#### **Noncompliance**

**Explanation:** 1. Workers do not use safety guards of overlock machines.

2. Some sewing machines do not have needle protection guards.

3. There are no protection covers on knitting machines.

4. Cutters and scissors not fixed on working tables.

5. Maintenance card on each machine was only recorded in January and May 2009.

**Plan Of  
Action:**

1. Factory has instructed workers on how and why to use safety guards on overlock machines.

2. Factory has installed remaining needle guards on sewing machines.

3. Factory has added protection covers to knitting machines.

4. Cutters and scissors now affixed to working tables.

5. Machines receiving monthly maintenance checks. To ensure that changes are sustainable, factory has agreed to a continuous improvement model (Plan-Do-Check-Act) for all health and safety issues. See H&S.9 above for details.

**Deadline  
Date:** 07/01/2011

**Action  
Taken:**

1. Factory has instructed workers on how and why to use safety guards on overlock machines.

2. Factory has installed remaining needle guards on sewing machines.

3. Factory has added protection covers to knitting machines.

4. Cutters and scissors now affixed to working tables.

5. Machines receiving monthly maintenance checks.

**Plan Complete:** Yes

**Plan Complete Date:** 12/28/2009

**Action Verified:** No

**Action Verified Text:** Ongoing: As per factory tour, it was noted that all workers had used safety guards of overlock machines, and cutters and scissors fixed on working tables. However, a) no safety belt guards equipped on 18 knitting machines and 8 sewing machines; b) needle protection guards not available for 8 sewing machines in factory; c) maintenance card on each machine only recorded in March 2010.

Legal Reference: Safety Manufacturing Law, Article 29

**Action Verified Date:** 11/23/2010

**Follow-up Plan of Action:** Factory needs to replace needle and belt guards on these machines and consistently perform maintenance checks. Also, procedure should be in place to periodically check workstations and machines for missing parts, deficiencies, or general safety concerns, and system set up for workers to report problems with their machines or workstations.

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## Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

### Noncompliance

**Explanation:** Due to unannounced nature of audit, factory advised that they could not provide documents related to health and safety; wages and working hours; or other related documents for verification due to absence of in-charge personnel. Documents as per management could be retrieved only on Monday (10/19), that is, after 3 days of the audit. Thus, no records could be reviewed during audit date.

**Plan Of Action:** Zephyr has verified that hours of work records exist and are kept in files by HR manager. Factory understands that even if person in charge is not available, they will still need to provide access to all records.

**Deadline Date:** 02/14/2010

**Supplier CAP:** Factory has agreed to create system to ensure that records are available at all times.

**Supplier CAP Date:** 02/14/2010

**Action Taken:** Originally, HR manager was only person with key to files containing factory records and documents. Factory has created system where each record will be copied and stored in a separate location so that a second person has access. In addition, factory manager will have master key to files.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** Completed: As per document review, it was noted that factory had provided enough months' attendance records for auditors' review.

**Action  
Verified  
Date:**

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### Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

#### Noncompliance

**Explanation:** According to time cards from October, workers do not punch time cards during lunch break. Workers do not take 1 day off every 7 working days. Verified through October time cards from October 5-15.

**Plan Of Action:** Zephyr has discussed importance of accurate time records with factory for workers (to be paid correctly), for factory (to protect itself in case of a dispute), and for auditors/brands (to trust information being given to them). Zephyr recommends that factory creates policy and procedure for workers' punching time cards. It takes some discipline on factory's part to do this and to make sure workers are not working on their rest day. If they are, Zephyr recommends that another day be scheduled for them.

**Deadline Date:** 02/14/2010

**Supplier CAP:** Factory has agreed to create policy and procedure. It is also researching closing factory on Sundays to ensure workers receive their rest day.

**Supplier CAP Date:**

**Action Taken:**

**Plan Complete:** No

**Plan  
Complete  
Date:**

**Action** No  
**Verified:**

**Action** Completed: As per on-site observation and document review, it was noted that all  
**Verified** workers had punched time cards during lunch break. Moreover, all workers were  
**Text:** entitled to at least 1 day off every 7 working days.

**Action  
Verified  
Date:**

### Hours of Work: Meal and Rest Breaks

HOW.3 Employers shall provide reasonable meal and rest breaks, which, at a minimum, must comply with local laws. (S)

#### Noncompliance

**Explanation:** According to time cards of October, workers do not punch time cards during lunch break.

**Plan Of** Zephyr has discussed importance of accurate time records with factory for workers (to  
**Action:** be paid correctly), for factory (to protect itself in case of a dispute), and for  
auditors/brands (to trust information being given to them). Zephyr recommends that  
factory creates policy and procedure for workers' punching time cards. It takes some  
discipline on factory's part to do this and to make sure workers are not working on their  
rest day. If they are, Zephyr recommends that another day be scheduled for them.

**Deadline** 02/14/2010  
**Date:**

**Supplier** Factory has agreed to create policy and procedure. It is also researching closing factory  
**CAP:** on Sundays to ensure workers receive their rest day.

**Supplier CAP** 02/14/2010  
**Date:**

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified  
Text:** Completed: As per on-site observation and document review, it was noted that all workers had punched time cards during lunch break. Moreover, all workers were at least entitled to 1 day off every 7 working days.

**Action  
Verified  
Date:**

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### Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

#### Noncompliance

**Explanation:** [New Finding:](#) "Overtime hours," "overtime wages" and "minimum wages" issues could not be verified due to following discrepancies:

a) As per broken needle records, there were broken needle replacement records on September 22 and October 29, 2010, but provided attendance records indicated related workers were resting on both days;

b) As per semi-products issuing records, there were semi-products issuing records on October 5, 10, 22, 23, 2010, but provided attendance records indicated that related workers were resting on these days.

**Plan Of Action:** Factory director will review record keeping procedures of all relevant departments (production, payroll, attendance/time cards) to determine problem areas. Director will hold meeting with all staff responsible for keeping records to develop ideas for increased communication and accuracy. Procedures should be revised to address problems and incorporate new ideas.

**Deadline Date:** 09/01/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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### Hours of Work: Public Holidays

HOW.13 Employers shall provide workers with all official public holidays as required under local laws, regulations and procedures. (S)

#### Noncompliance

**Explanation:** [New Finding:](#) It was noted that factory did not pay any wages on public holidays when workers enjoyed the holidays.

[Legal Reference:](#) PRC Labor Law, Article 51

**Plan Of Action:** Factory needs to review PRC labor laws related to worker benefits. HR manager will create policy that all workers will receive wages during public holidays in which they are not working. A procedure to handle training, notification, and pay calculation will also be written and posted.

**Deadline Date:** 07/01/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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### Hours of Work: Annual Leave

HOW.14 Employers shall provide workers with paid annual leave as required under local laws, regulations and procedures. (S)

#### Noncompliance

**Explanation:** [New Finding:](#) It was noted that factory had not provided annual leave to workers. Factory did not have policy for annual leave, and none of the workers were aware of annual leave benefit.

[Legal Reference:](#) Regulations on Employee's Paid Annual Leave, Article 3

**Plan Of Action:** Factory needs to review PRC labor laws related to worker benefits. HR manager will create policy that all workers will receive annual leave according to these laws. Procedure to handle training, notification, creation of leave forms, and pay calculation will also be written and posted.

**Deadline Date:** 07/01/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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