

FLA Audit Profile	
Country	China
Factory name	130015488E
IEM	A.L.G.I. China
Date(s) in facility	November 16&17, 2006
PC(s)	Zephyr Graf-X, Inc.
Number of workers	590
Product(s)	Headwear
Production processes	Sampling, knitting, dyeing, forming, cutting, blocking, sewing, quality inspection and packing

Company Comment: Because of high minimum order quantities, extremely late shipments, and discrepancies between sample quality and production quality, we decided to end our relationship with the supplier representing this factory. The blame can be shared by Zephyr, since we had internal communication problems of our own. However, after several failed attempts to align our processes, procedures, and expectations, we terminated the supplier in early 2008, meaning that our relationship with the factory also ended. We encouraged the supplier to continue remediation efforts at all factories, and also continued to participate in FLA conference calls regarding remediation updates. The decision to end the relationship was not compliance related.

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Non-compliance	Risk of Non-compliance	IEM Findings		Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Remediation plan	Remediation		Documentation	(Status) Completed; Pending; On-going	Updates (Cite Date of Follow up)		Third-Party Verification		Company Verification Follow up		
					Evidence of Non-compliance (unsubstantiated)	If not corroborated, explain why				Target Completion Date	Company follow up (May 16, 2007)			Company Follow up (cite date)	Documentation	External Verification (Date)	Documentation	Company Follow up (Cite date of planned or follow up visit, if appropriate)	Documentation	
1. Child Awareness																				
2. Forced Labor																				
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.																				
3. Child Labor																				
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																				
4. Harassment or Abuse																				
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																				
Other				Factory does not have internal written policy regarding harassment or abuse.			Document review		The Factory Manager and HR Manager will create a harassment and abuse policy. This policy will be added to the employee handbook and posted in a prominent place. The policy must be written in the local language of the workers. Also, training on this policy must be added to new workers' orientation as well as any other training conducted throughout the year. For documentation, please send Zephyr a copy of the employee handbook translated in English, as well as a picture of the location where the policy is posted.	3/1/2007	The factory created the [Factory] Social Obligation Guide, which states the factory's commitment to worker rights. It includes sections on harassment or abuse, non-discrimination, and freedom of association. The guide was written with the help of the worker committee and has been communicated to all workers. The guide is posted with the buyers' Codes of Conduct in the production area and outside the canteen.	Factory tour, management interview, copy of Social Obligation Guide (SOG) in Chinese and English.	Completed							
5. Nondiscrimination																				
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																				
Other				Factory does not have internal written policy regarding non-discrimination.			Document review		The Factory Manager and HR Manager will create a non-discrimination policy. This policy will be added to the employee handbook and posted in a prominent place. The policy must be written in the local language of the workers. Also, training on this policy must be added to new workers' orientation as well as any other training conducted throughout the year. For documentation, please send Zephyr a copy of the employee handbook translated in English, as well as a picture of the location where the policy is posted.	3/1/2007	The factory created the [Factory] Social Obligation Guide, which states the factories commitment to worker rights. It includes sections on harassment or abuse, non-discrimination, and freedom of association. The guide was written with the help of the worker committee and has been communicated to all workers. The guide is posted with the buyers' Codes of Conduct in the production area and outside the canteen.	Factory tour, management interview, copy of Social Obligation Guide (SOG) in Chinese and English.	Completed							
6. Health and Safety																				
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.																				
Chemical Management	Art. 19 of Regulations on Safe Use of Chemicals in the Workplace. The facilities used to hold, transport and store hazardous chemicals shall be highlighted with colors, escahecons or labels, and indicating its lethal nature. Art. 60 of PRC Factory Safety and Sanitary Regulations. Poisonous and hazardous goods shall be stored at specific locations separately, and shall be managed with stringency.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	As per factory tour, one stairwell on first floor in old production building was used as chemical storage area, and another one was used as a tea room. Two stairwells in dormitory were used as storerooms.				Factory tour		A separate chemical storage facility or room must be created and properly marked. Also, the tea room must be moved to a different location, such as the dormitories, break areas, or canteen. Store rooms in dormitory will need to be moved away from the stairwell. Consider building more closets or shelving. For fire safety reasons, stairwells may not be blocked by any production materials or used for storage of any kind. Please relocate chemicals, tea room, and store rooms away from the stairwells and e-mail photos to Zephyr.	3/1/2007	The chemicals are stored out of the way and are not hazardous. The tea rooms are also out of the way. Other buyers requested that the factory set up the tea room in that location. In the dorms, the cleaning supplies (broom, mop, etc.) are stored out of the way of anyone using the stairs.	Management interviews, factory tour, picture of stairwells	Completed							
Safety Equipment	Art. 43 of Fire prevention and Safety Rules of Textile Mills. Obstructive items such as sunny goods or other items must not be piled up around the fire extinguishers or fire hydrant. Regular service maintenance system must be set up for fire-fighting facilities and equipments to ensure that they are in working conditions.	All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	1) One fire extinguisher in the electrician room was out of order. 2) One fire extinguisher in the kitchen of cafeteria was blocked and two fire extinguishers were blocked by machines in the maintenance shop.				Factory tour		1) The fire extinguisher in the electrician room must be fixed or replaced immediately. All fire extinguishers must be regularly checked and properly maintained. 2) All fire extinguishers must be unblocked and easily accessible at all times.	2/1/2007	All fire extinguishers were in working condition, checked frequently, and unobstructed. The fire extinguishers in the kitchen and maintenance shop were all unobstructed as well.	Factory tour	1) Completed 2) Completed							
PPE	Art. 37 of PRC Work Safety Law: Production and business units shall provide employees with PPE that meets the national standards or industrial specifications, and they shall give instruction to their employees and see to it that they wear or use these PPE in accordance with the rules for their use.	Workers shall wear appropriate 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 hazardous elements including medical waste.	Workers at dying and washing section were wearing dust-proof masks rather than respirators.				Factory tour		The factory will provide respirators for all workers in the washing and dying section. The factory could also have a health and safety assessment conducted once a year to guarantee that all production areas are safe, including updated PPE requirements, etc.	3/1/2007	Workers were given respirators in the dying and washing sections. Also, a health and safety assessment is conducted once a year in the factory.	Management interview, factory tour	Completed							
Document Maintenance/ Accessibility	Art. 12 of PRC Safe Use of Chemical Materials in Production Areas. The chemical materials used in the factory should be labeled. Dangerous chemical materials should bear safety labels, and safety instructions shall be provided to operators. MSDS should be offered to workers who use it.	All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language spoken by majority of the workers if different from the local language.	MSDS were found in chemicals storage area, but not at working place.				Factory tour		The MSDS for all chemicals must be available at every station in which they are in use.	3/1/2007	MSDS were located at each working station in which chemicals were used.	Management interview, factory tour	Completed							
Ventilation/Electrical/Facility Maintenance	Art. 11-2 and 11.3 of Regulations for the Use of Toxic Materials in Production Areas: The area for the use of toxic products must be separated from regular work area and must be equipped with proper ventilation.	All ventilation, plumbing, electrical and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	The illumination of dye house does not reach the standard.				Document review		If the factory does not know the standard level of lighting for this type of production area, they will need to consult with a local certified expert to determine the appropriate level. The lighting must be upgraded based on the expert's recommendation. Please provide Zephyr with a copy of the this recommendation.	2/1/2007	Lighting was sufficient in the dye house. The factory has created a policy that calls for testing once a month in every workshop.	Management interview, factory tour	Completed							
Posting of Labor Laws and Health & Safety Regulations		All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language spoken by majority of the workers if different from the local language.	The facility did not post China Labor Law in prominent places for workers' knowledge.				Factory tour		The factory will post the China labor law in the local language of the workers. The law must be posted in several prominent locations such as the production rooms, the canteen, and any break areas. Please e-mail Zephyr photos of the posted labor law. The photos should be labeled according to each location. Workers should also receive training on the labor laws as part of their orientation and during any other training scheduled throughout the year.	3/1/2007	The China Labor Laws are posted in a covered, plastic bulletin board area outside of the canteen, along with other important postings such as the worker handbook and factory activities.	Factory tour	Completed							

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8. Freedom of Association																				
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																				
Freedom of Association: FLA Comment		FLA Comment: <i>The Chinese constitution guarantees Freedom of Association; 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 freedom of association, 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. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms.</i>		1) Factory does not have written policy on independent worker representation. 2) Interviews showed that workers had limited knowledge about freedom of association. They prefer to concentrate on work instead of on this issue. Workers had no desire to form a workers' organization.			Document review and worker interviews		1) The Factory Manager and HR Manager will create a Freedom of Association policy. This policy will be added to the employee handbook and posted in a prominent place. The policy must be written in the local language of the workers. Also, training on this policy must be added to new workers' orientation as well as any other training conducted throughout the year. For documentation, please send Zephyr a copy of the employee handbook translated in English, as well as a picture of the location where the policy is posted. 2) Even if workers do not want to form a committee, it is still the factory management's responsibility to ensure that they have allowed workers every opportunity to form such a group. This includes explaining the concept of Freedom of Association to every worker, and possibly pairing with a local NGO to hold training sessions.	1) 3/1/2007 2) 7/1/2007	1) The factory created the [Factory] Social Obligation Guide, which states the factories commitment to worker rights. It includes sections on harassment or abuse, nondiscrimination, and freedom of association. The guide was written with the help of the worker committee and has been communicated to all workers. The guide is posted with the buyers' Codes of Conduct in the production area and outside the canteen. 2) The current worker committee consists of four workers, each of whom has been employed at the factory for over five years. The committee helps HR with the worker suggestion box and is consulted on factory changes like creating the Social Obligation Guide and moving from hourly to piece-rate wages. The committee also helps communicate these changes to the workers and acts as a liaison between the management and workers.	1) Factory tour, management interview, copy of Social Obligation Guide (SOG) in Chinese and English. 2) Management interview	1) Completed 2) On-going							
		<i>The Amended Trade Union Act of October 2001 does stipulate 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. It also grants the trade union an enhanced role in dispute resolution. In December 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.</i>																		
9. Wages and Benefits																				
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.																				
9. Hours of Work																				
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.																				
Overtime Limitations	Regulation by the State Council on Working Hours, Art. 3: Laborers shall work for no more than 8 hours a day and not more than 40 hours a week. Art. 41 of PRC Labor Law (Chapter 4 Working Hours, Rest Days and Holidays): Employees should not be allowed to work more than 3 overtime hours per day and 36 overtime hours per month.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	As per review of time records for four months - January, April, July, August and September, it was observed that workers did more than three OT hours per day, which exceeded the daily limitation as stipulated by PRC Labor Law.				Worker interviews, review of time records and payrolls		The factory will attempt to limit the workers' OT hours to just three hours per day. The factory will also ensure that all OT worked is voluntary by continuing to use the sign up system that is currently in place.	7/1/2007	Workers are asked every day if they would like to work overtime. Usually workers say yes, but sometimes they don't want to. The factory will use that list to schedule the overtime for the day. If overtime is urgent, the factory will create the schedule first, and then workers can cross their name off of the list if they don't want to work the shift. The factory has hired a consulting company to help them with cutting down overtime. The company has provided them with documents with suggestions on how to limit the hours. They have also agreed to try a root cause analysis with different departments.	Management interviews, OT schedule with worker signatures	Pending							
10. Overtime Compensation																				
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.																				
Miscellaneous																				
Security Guard License	Art. 3 of Determination Made by the Ministry of Public Security on Consolidating the Industry of Security Guards: The security guards should have the occupational licenses issued by the department of public security and registered with the local police station.		Licenses of six security guards have expired.				Worker interviews and document review		The factory will have the security guards immediately renew their licenses.	3/1/2007	The factory requested the renewed licenses months ago from the government, and the request is still being processed. However, they did receive a letter stating that the licenses were on their way.	Management interview, letter from government confirming the licenses had been renewed.	Completed							