



Fair Wear Foundation

Management system audit report

Suit Supply BV

24 September, 2010

FWF member since: 7 May 2007

Sources of information

Database FWF

Annual report and work plan

Archived documents

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Fair Wear Foundation

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1. Introduction

In September 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Suit Supply BV. The MSA is a tool for FWF to verify that Suit Supply BV implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the MSA has been the work plan for 2010. FWF tailored the MSA to the specifics of the management system of Suit Supply BV in order to assess the key issues of interest. During the MSA, employees of Suit Supply BV were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the MSA. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system needs improvement to ensure effective implementation of the Code of Labour Practices, a requirement for improvement is formulated. The implementation of required improvements is mandatory under FWF membership. In addition, FWF formulates recommendations to further support Suit Supply BV in implementing the Code of Labour Practices. The numbering of the requirements and recommendations correspond with the numbers of the conclusions.

This report focuses on those aspects of the management system of Suit Supply BV that have been identified as key areas of interest for 2010. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that MSA reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all MSAs on www.fairwear.org. FWF encourages Suit Supply BV to include information from the MSA report in its social report.



2. Executive summary

Since Suit Supply designated a new contact person to coordinate FWF membership, the company made various steps forward to meet the management system requirements of FWF. This step was taken after several meetings with FWF staff in 2009 as a result of which Suit Supply evaluated how the process of implementing FWF membership had evolved since 2007.

The factories that have been audited by Suit Supply BV in 2007-2010 by making use of local FWF audit teams represent approximately 44% of the purchasing volume. Approximately 55% of the purchasing volume of Suit Supply BV is produced in low risk countries such as Italy, Spain and Portugal. As a result, Suit Supply BV meets the threshold of 90% of its total purchasing volume is accounted for by audited factories and factories in low risk countries

At Suit Supply BV product managers are responsible for the process of informing suppliers about FWF membership, collecting questionnaires, and coordinating follow up on corrective action plans by factories. The chief operations officer oversees this process and discusses progress during regular meetings with product managers. A Dutch staff member of Suit Supply BV is permanently present at its main suppliers in China for quality control reasons. This person is also designated to coordinate the process of following up on corrective action plans in cooperation with factory management and has regular meetings during which this process is discussed.

During an audit carried out on behalf of Suit Supply BV in 2010 at its supplier in China no serious non-compliances were found on forced labour, discrimination and child labour. With regard to these labour standards it was found that the factory lacks formal policies to prevent violations on these labour standards. In other areas further improvement is still required, as the factory audit indicated several areas for improvement. Several improvement issues were found with regard to fire safety, machine safety and first aid. Overtime was found and working hours were not accurately recorded. Not all workers were paid the legally required premium for overtime work.

According to documentation on follow up of corrective action plan submitted by Suit Supply BV, several improvement points had been realised after the audit in 2010. A high ranking management executive of the factory took part in a training to raise awareness of occupational health & safety. Improvement issues regarding fire safety were implemented. The factory recruited a designated staff member to coordinate documentation regarding implementation of labour standards. FWF will verify improvements by means of a factory audit after 2010.

3. Positive findings

Conclusions

1. A staff member of Suit Supply BV is permanently present at its main suppliers in China for quality control reasons. This person is also designated to coordinate the process of following up on corrective action plans in cooperation with factory management. As far as FWF oversees, this facilitates the process of implementing the Code of Labour Practice at these suppliers.

4. Sourcing

Conclusions

1. Suit Supply BV anticipates on placing more orders in Mediterranean countries such as Portugal and Turkey. The company selects new suppliers on primary criteria such as price, quality and delivery conditions. Whereas these are no formal criterion, product managers do assess the level of working conditions at new factories. When new suppliers are selected, they are informed upfront that Suit Supply BV is committed to work towards implementation of the Code of Labour Practices.
2. Purchasing staff of Suit Supply BV are generally aware that delivery times and pricing play a role in the implementation of the Code of Labour Practices. Suit Supply BV has not assessed how delivery times and pricing contributes to overtime and issues regarding payments of wages and overtime in factories.
3. The audit carried out at a main supplier of Suit Supply BV in China pointed out that wage payments are not fully in accordance with the local legal minimum wage. During this audit overtime was found among production workers. Suit Supply BV regards these issues in context of the process of corrective action plan follow up process. According to the company, the supplier will enhance its production capacity in 2011.

Recommendations

1. A written sourcing policy that takes code implementation into account can give buyers a clearer incentive and mandate to take social aspects into account for placing orders at suppliers.
3. FWF recommends that Suit Supply BV, in cooperation with factories, investigate the root causes of overtime. It is useful to ask factories where overtime is found during audits to carry out a root cause analysis on the factors causing overtime. All incidents of overtime, their origin and severity should be recorded to support this analysis. It is recommended that a period be defined which is representative for an entire business year for the factory to carry out this analysis, for example a period of 3-6 months. After this analysis, a practical step-by-step plan can be drafted by the factory to bring the amount of working hours down to legally allowed levels. The plan should explain how and if and to what extent the factory can control overtime hours, and to what extent Suit Supply BV (and possibly its other clients), could help remediate this problem.

5. Coherent system for monitoring and remediation

Conclusions

1. The factories that have been audited by Suit Supply BV in 2007-2010 by making use of local FWF audit teams represent approximately 44% of the purchasing volume. Approximately 55% of the purchasing volume of Suit Supply BV is produced in low risk countries such as Italy, Spain and Portugal. As a result, Suit Supply BV meets the threshold of 90% of its total purchasing volume is accounted for by audited factories and

factories in low risk countries. An audit at an important supplier in Macedonia by a local FWF team has been planned.

2. Suit Supply monitors working conditions in factories through various activities. The company requests factories to commit to the Code of Labour Practices by letting them sign the FWF questionnaire. Suit Supply BV makes use of local FWF audit teams to assess the level of working conditions in factories. Purchasing and management staff of Suit Supply BV visits factories to discuss the process of follow up on corrective action plans. Not all factories are visited by staff of Suit Supply BV as a result of long term relations with these factories

3. Product managers are responsible for the process of informing suppliers about FWF membership, collecting questionnaires, and coordinating follow up on corrective action plans by factories. The chief operations officer oversees this process and discusses progress during regular meetings with product managers. A staff member of Suit Supply BV is permanently present at its main suppliers in China for quality control reasons. This person is also designated to coordinate the process of following up on corrective action plans in cooperation with factory management and has regular meetings during which this process is discussed.

4. Suit Supply BV does not yet cooperate with other customers of factories in the process of improving working conditions. However the company is generally open for such cooperation with other businesses.

Recommendations

3. FWF recommends that the job aspect of process of following up on corrective action plans is specified in job descriptions / vacancies for recruitment. We recommend that a SMART performance appraisal system be developed with regard to the process of following up on corrective action plans. Specific indicators for good performance could be as follows:

- Provision of accurate information on supplier status (agent, factory, subcontractor), audit date, date of discussion of corrective plan etc.
- Formal discussion of corrective action plan with factory within three months after the audit.
- Accurate reporting of outcomes of discussions with factories including a description of actions taken to remediate improvement issues.
- Provision of information as input for the annual social report of Suit Supply BV regarding improvement issues in factories.

4. FWF recommends that Suit Supply BV structurally check if factories have been audited on behalf of other clients and to ask them to share audit reports with Suit Supply BV. On the basis of the checklist which is to be issued by FWF in 2010, Suit Supply BV will be able to assess the quality of existing audit reports. If audit reports are of sufficient quality Suit Supply BV will be able to follow up on existing audit reports, possibly in cooperation with other clients of the factory.

6. Complaints procedure

Conclusions

1. Suit Supply BV has a designated person to handle complaints filed by employees of suppliers.
2. To date FWF has not received complaints from workers of suppliers of Suit Supply BV.
3. The Code Of Labour Practices including contact information of FWFs local complaint handler is not posted in all factories where products for Suit Supply BV are produced as FWF did not provide the translated version of the Code of Labour Practices in all of the local languages.

Recommendations

3. FWF will provide a translated version of the Code of Labour Practices for Turkey, Italy, Macedonia, Portugal and Hindi to Suit Supply. It is recommended to let purchasing and quality staff check during every visit to the factory if the Code of Labour Practices is posted. In case agents are visiting factories or subcontractors on behalf of Suit Supply BV, it would be beneficial to ask them to take pictures to prove that the document is posted in the workplace in an area which is freely accessible to workers.

7. Improvement of labour conditions

Conclusions

1. During the audit carried out on behalf of Suit Supply BV in 2010 at its supplier in China no serious non-compliances were found on forced labour, discrimination and child labour. With regard to these labour standards it was found that the factory lacks formal policies to prevent violations on these labour standards.
2. In other areas further improvement is still required, as the factory audit indicated several areas for improvement. Several improvement issues were found with regard to fire safety, machine safety and first aid. Overtime was found and working hours were not accurately recorded. Not all workers were paid the legally required premium for overtime work. Whereas the factory employs more than 50 workers, there is no independent union or workers committee which is run by workers without management involvement. A majority of workers does not receive social insurance benefits.
3. According to documentation on follow up of corrective action plan submitted by Suit Supply BV, several improvement points had been realised after the audit in 2010. A high ranking management executive of the factory took part in a training to raise awareness of occupational health & safety. Improvement issues regarding fire safety were implemented. The factory recruited a designated staff member to coordinate documentation regarding implementation of labour standards. FWF will verify improvements by means of a factory audit after 2010.

Based on results of audits carried out by FWF teams and complaints of workers, FWF has drawn up an overview of labour conditions in factories. The overview is annexed to

this report.

Recommendations

2. The establishment of an independent workers committee is an area for improvement in the majority of the factories that have been audited. FWF therefore recommends that Suit Supply BV consider facilitating factory trainings that aim at improving social dialogue on factory level. FWF can recommend organisations that could carry out factory trainings. Suit Supply BV has expressed to FWF that at present it wishes to focus on the process of monitoring working conditions, and that the company will continue to focus on carrying out and following-up on audits.

It is recommended to assess in cooperation with the supplier and main customer how further steps forward towards payment of living wages for a regular working week can be made possible. A possibility is to agree on an order price increase on the condition that the increment is used to increase regular wages for rank and file workers. On request FWF would share expertise which would help the involved parties define a practical framework for such an agreement.

8. Training and capacity building

Conclusions

1. Staff of Suit Supply BV with designated responsibilities related to FWF membership is sufficiently aware of the consequences stemming from FWF membership and the impact this has on their daily work.

2. Suit Supply BV informed suppliers and agents on the consequences from FWF membership by requesting its suppliers to complete and sign the FWF questionnaire for factories.

3. Suit Supply has not taken steps to commission trainings for workers or management staff of factories.

Recommendations

1. FWF recommends Suit Supply purchasing staff with designated responsibilities to follow up on corrective action plans to participate in FWF's training company staff. FWF will carry out such training sessions from January 2011 onwards. To further strengthen ownership of product managers in the process of improving working conditions, it could be beneficial to encourage them to observe the work of FWF teams during audits in factories.

3. FWF recommends that Suit Supply BV assesses to what extent it is of added value to hire a local service provider to support factories in the process of realising improvements. FWF recommends choosing this approach if the factory has demonstrated its commitment to this process. According to FWF's expertise with other factories of similar size, a specialised consultant can help the factory to adopt new practices that increase productivity, decrease overtime usage and improve the quality of



social dialogue between workers and management. It is beneficial to share the cost of hiring the expert between Suit Supply BV and the factory concerned. FWF can make further suggestions and provide references of credible service providers on request.

9. Information management

Conclusions

1. Suit Supply BV has a procedure for maintaining its supplier register. In short, production managers provide the person who coordinates FWF membership with factory addresses, and status of the factory regarding received questionnaires and audits that have been carried out. The supplier register is available on internal server for designated persons.
2. The supplier register that was submitted to FWF by Suit Supply BV meets the requirements of FWF.
3. Suit Supply BV maintains information on the status of corrective action plans in a structured way. This information is accessible for the designation persons.

Recommendations

1. It could be beneficial to formalise the responsibilities of product managers to provide accurate information regarding factory contact information and addresses. It is recommended that factory address information from audit reports be cross-checked against the information registered in the central supplier register to assess if accurate information has been registered.

10. Transparency

Conclusions

1. Suit Supply BV informs consumers about its FWF membership through its website. The website text states that factories of suppliers to Suit Supply BV are compliant with ILO standards, which is not in line with FWFs communication policy for member companies.
2. Suit Supply BV has not posted its 2009 annual social report on its website. FWF received the 2009 annual report of Suit Supply BV. It was discussed between FWF and Suit Supply BV that this document did not meet the requirements of FWF. Both parties reached an agreement on the content of this document after Suit Supply BV adopted an active approach to implement FWF membership after no action was undertaken in 2008 and 2009.
3. Sales staff of Suit Supply BV generally does not yet refer to FWF membership to end consumers. Suit Supply BV is considering using FWF membership more prominently for marketing purposes and would like to strengthen awareness regarding FWF membership among its sales staff.

Requirements

1. According to FWFs communication policy for affiliates, all active members including Suit Supply BV are entitled to claim that they are making efforts and are achieving sufficient results towards improving labour conditions in the factories where its products are being produced. It can be stated that this is done by implementing the FWF Code of Labour Practices and by letting FWF verify this implementation as an independent multistakeholder verification initiative. It cannot be claimed that all products of Suit Supply BV are being produced under full compliance with the labour standards, as this is generally not (yet) the case.

Recommendations

3. FWF could provide Suit Supply BV with input for a Q&A document for sales staff which contributes to more awareness of FWF membership.

11. Management system evaluation and improvement

Conclusions

1. After several meetings with FWF staff in 2009 Suit Supply evaluated how process of implementing FWF membership had evolved since 2007. As an outcome, Suit Supply designated a new contact person to coordinate FWF membership, after which the company made various steps forward to meet the management system requirements of FWF. FWF regards this as a positive process.
2. Suit Supply BV collects feedback from suppliers on its FWF membership during regular discussions.

Recommendations

1. FWF encourages Suit Supply BV to formally evaluate FWF membership on an annual basis to assess if its practices are (cost) effective. Input from product management, sales staff and suppliers could be of added value for this process. FWF recommends that minutes of meetings during which the process of improving working conditions is discussed be kept, in order to have an overview of decisions and planned activities.
2. FWF recommends evaluating the process of implementing FWF membership more formally with suppliers after substantial steps to realize improvements in working conditions have been taken.



12. Basic requirements of FWF membership

Conclusions

1. Suit Supply BV has handed in a combined work plan for 2009 and 2010.
2. Suit Supply BV has paid its membership fee for 2007 - 2010.

13. Recommendations to FWF

Recommendations

1. Suit Supply would like to make further use of FWF's expertise and country studies on other countries where it is active. To this end Suit Supply BV would like to receive a copy of FWF's country studies on Turkey and China in word instead of pdf.

Improvement of labour conditions: summary of most important findings	Factory: China
	Summary of most important findings from a factory audits carried out on behalf Suit Supply BV in China (May 2010).
Workers interviews	12 workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside working hours.
Documentation	Grievance registers, disciplinary notice, accident registers etc are not available to the audit team during the audit process.
Sourcing practices (price, leadtime, quality requirements)	No information.
Monitoring system of FWF member company	This was the first audit on behalf of Suit Supply to monitor working conditions in the factory.
Management system factory to improve labour standards	Workers have do not know the responsible person for factory social compliance program.
Communication, consultation and grievance procedure	Workers are not informed and consulted about PRC Labour Law and FWF Code of Labour Practices. Factory does not keep a register of complaints filed by workers and does not inform workers about the outcome.
Employment is freely chosen	The factory lacks formal policies to prevent violations on this labour standard.
No discrimination in employment	The factory lacks formal policies to prevent violations on this labour standard.
No exploitation of child labour	The factory lacks formal policies to prevent violations on this labour standard.
Freedom of Association and the Right to Collective Bargaining	Whereas the factory employs more than 50 workers, there is no independent union or workers committee which is run by workers without management involvement.
Payment of a Living Wage	Not all workers were paid the legally required premium for overtime work.
No excessive working hours	Excessive overtime was found in January to April 2010. Workers are not ensured one day off in seven-day working period.
Occupational health and safety	Several improvement issues were found with regard to fire safety, machine safety and first aid.
Legally binding employment relationship	A majority of employees is not provided with medical, occupational injury, pension, unemployment and maternity insurances.
Special remarks	none.

Improvement of labour conditions: summary of most important findings	Factory: Macedonia
	Summary of most important findings from a factory audits carried out on behalf Suit Supply BV in Macedonia (October 2010).
Workers interviews	6 workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside working hours.
Documentation	No information.
Sourcing practices (price, leadtime, quality requirements)	No information.
Monitoring system of FWF member company	No information.
Management system factory to improve labour standards	No information.
Communication, consultation and grievance procedure	No information.
Employment is freely chosen	No non-compliances found.
No discrimination in employment	No non-compliances found.
No exploitation of child labour	No non-compliances found.
Freedom of Association and the Right to Collective Bargaining	No collective bargaining agreement has been signed.
Payment of a Living Wage	No non-compliances found.
No excessive working hours	No non-compliances found.
Occupational health and safety	Workers are not wearing personal protective equipment.
Legally binding employment relationship	No non-compliances found.
Special remarks	none.