



## Management system audit report

*Bierbaum-Proenen*

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*FWF member since: July 2010*

### ***Sources of information***

Database FWF

Annual report and work plan

Archived documents

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## Introduction

In June 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Bierbaum-Proenen. The MSA is a tool for FWF to verify that Bierbaum-Proenen 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 and 2011. FWF tailored the MSA to the specifics of the management system of Bierbaum-Proenen in order to assess the key issues of interest. During the MSA, employees of Bierbaum-Proenen 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 Bierbaum-Proenen 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 Bierbaum-Proenen that have been identified as key areas of interest for 2010 and 2011. 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](http://www.fairwear.org). FWF encourages Bierbaum-Proenen to include information from the MSA report in its social report.



## Executive summary

Bierbaum-Proenen GmbH & Co. KG (BP) has been affiliated to FWF for one year at the time of the MSA. During the first year of membership, the company has focused on developing its management system for social compliance, auditing and following up improvements at its main suppliers. The company meets most of FWFs management system requirements. For parts of the FWF work, BP has developed a routines that are incorporated in their ISO 9000 quality management system.

63 percent of the BP's production have been audited during the first year. The first factory to be audited was BP's own factory in Tunisia. At this factory, all of the points in the corrective action plan has been followed up on and outcomes are well documented. One supplier in Pakistan is undergoing SA8000 certification and BP is actively following up the outcomes of this. Furthermore, the biggest supplier of BP was audited in 2011. The company is now working on the follow up of the audit.

BP has chosen to communicate clearly about the company's affiliation to FWF and has informed customers in several different ways about its commitment to decent working conditions. Internally, BP has had several internal trainings and informed all relevant staff about the FWF affiliation.

Challenges for BP in the year to come include addressing more difficult issues such as wage levels at suppliers.

## Positive findings

### *Conclusions*

1. Routines to implement the FWF Code of Labour Practices are clearly documented and well integrated into quality management system of BP.
2. BP has long standing relationship with most of its suppliers and a good understanding of production.

## 1. Sourcing

### *Conclusions*

1. BP offer work wear for craftsmen, medical sector and gastronomy. The ambition of the company is to have long cooperation with their suppliers. This can be seen by the fact that 98 percent of FOB comes from suppliers where the relationship is longer than 5 years. Less than one percentage of FOB is coming from suppliers where the relationship is shorter than one year.

2. The majority of the sourcing volume is made on cut-make-trim (CMT)-basis. BP's sourcing countries for CMT are Tunisia, Macedonia, Bulgaria and Vietnam. FOB sourcing is done from Pakistan, Turkey, China and Vietnam. Over 99 percent of the total volume is sourced in countries defined as high risk by FWF. Less than one percent is sourced from the company's own production location in Germany and from BP's own factory in Tunisia is the second biggest supplier of BP.

3. Routines for integrating the Code of Labour Practices in sourcing are in place. Both regarding new suppliers and in the order placing at present supplier. All potential new suppliers are visited by either the head of purchasing department or the quality control department before trial orders are placed. If necessary, BP give technical support to suppliers, also other assistance, such as credit for new machines can be given. New suppliers are required to sign the questionnaire before production starts.

4. BP has made sure that all present suppliers have signed the questionnaire and posted the information sheet for workers in the factory. During 2010, a supplier in China that refused to sign the code and post the information sheet for workers was abandoned. However, there is not yet a system to weight performance on social standards into sourcing decisions. One reason for this is that BP has so far not seen that the outcome of the auditing and monitoring done so far has called for actions that would affect order placing. BP is now working on ISO 9001 quality certification. In the quality system being built up for this, factories will be rated from green to red. The rating will be based on assessments of each supplier every year regarding lead time, quality level, price level, delivery quality, etc. Social compliance will be one part contributing in this rating.

5. In most cases BP work directly with the supplier. In the cases that BP works via an agent, the production site is still visited regularly by staff of BP. The agent is responsible for communication, quality control, sourcing of new factories and suppliers of fabrics.

6. Price negotiations for CMT are done based on standard minutes developed in house at BP's own production unit. Local wage levels are taken into account through this system when calculating an acceptable price. However, payments below local stakeholders' estimates of living wage have been found during FWF's audits.

7. For all production locations, BP has regular quantities of repeating articles per month. This to give the suppliers a more even work load. For every supplier, BP arranges fixed lead times depending on the location of the supplier and if they do CMT or FOB production. Factories tell BP how many lines and minutes are available for BP's orders. Generally the fixed lead times include a time reserve of one week. During the FWF audits conducted at PB's suppliers, no excessive overtime was found.

### *Recommendations*

6. It is recommended to assess how further steps forward towards payment of living wages for a regular working week can be made. This assessment should preferably be done together with the supplier and if possible other important buyers. In this discussion the FWF wage ladder tool can be used. One possible solution is to agree to a higher price conditioned to the increase of the regular wages for the workers. On request FWF can share expertise to help the involved parties define a practical framework for such an agreement.

## **2. Coherent system for monitoring and remediation**

### *Conclusions*

1. In total, 63 percent of production has been covered by the monitoring system of BP. This exceeds the monitoring threshold of 40 percent for one year of affiliation to FWF. 50 percent of production has been audited by local FWF audit teams (two production locations). A further production location in Pakistan is undergoing SA8000 certification. BP is actively following up outstanding improvement points uncovered in the process of SA8000 certification. The exact percentage of the supply chain covered can however not be verified as one of the audited factories uses a subcontractor for part of its sewing.
2. The corrective action plans resulting from conducted audits are systematically agreed upon, followed up and reported on by designated persons within BP. The company keeps track of the progress of the corrective action plans through a spreadsheet system. Each non compliance is given a priority rating and a person responsible for following up. For each point in the CAP that is done, a hyperlink is included in the spreadsheet so that the documents, email, photos, etc. confirming the improvements can be accessed. For issues that are confirmed by sending photos and documents, double checks are done when visiting the facilities. BP has identified all their staff visiting their supplier and is briefing them before their factory visits to make sure that they are up to date on improvements that are needed. BP has also developed a checklist to be sent to the factory before the audit to prepare them for the audit.
3. Already before affiliation to FWF, all production locations were visited regularly by BP to make sure the factories are able to achieve the applicable quality level. During these visits, issues regarding social compliance were also discussed and followed up although no full social audits were done.
4. BP is open to cooperation with other companies on social compliance at shared suppliers. BP has initiated cooperation with another FWF affiliate at a common supplier where a case of historic child labour was found (i.e. BP encountered a juvenile worker that had been working in the factory since the person was fourteen years old).

### 3. Complaints procedure

#### *Conclusions*

1. BP has a designated person to handle complaints of workers.
2. Staff from BP check that the information sheet for workers is posted in the factories when they visit the production location.
3. So far BP has not received any complaints through the FWF complaints system.

#### *Recommendations*

3. Suppliers can be encouraged to have an information session for their employees regarding the Code of Labour Practices and the complaints mechanism, to increase the chances of the complaints procedure being used if there are problems at the workplace that cannot be solved locally.

### 4. Labour conditions and improvements

#### *Conclusions*

Based on results of factory 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. Below is the summary of the audit findings from the FWF audits in Tunisia and in Macedonia.

1. BP's factory in Tunisia was audited by a local FWF audit team in October 2010. During the audit, no non compliances were found regarding the code standards employment is freely chosen, no discrimination in employment, legally binding employment relationship and no excessive working hours. Regarding Occupational health and safety, it was found that improvements on evacuation instructions and trainings on health and safety are needed. The payment system needed to be improved as some classification of wage levels were not correct and some bonuses needed adjustment. There was no child labour in the factory, however, the juvenile workers did overtime. The consultative committee was not working properly and there was no internal complaining procedure. According to information provided by BP at the time of the MSA, all point for improvements had been corrected after the audit and only a confirmation on participation in the health and safety training was needed.
2. In Macedonia non compliances were found regarding the code standards employment is freely chosen, no discrimination in employment, no exploitation of child labour, legally binding employment relationship and no excessive working hours. Regarding occupational health and safety some improvements were needed regarding electrical wiring and some areas needed better organisation of the physical environment. The biggest challenge for the factory was the wage levels. Some workers earned less than the minimum wage stipulated in the national collective bargaining agreement for the garment industry. Also, wages in general do not meet local stakeholders' estimate of a living wage. The most commonly paid wage in the factory does not cover the cost of a food and drinks for a four member family according to government statistics.

**Recommendations**

1. It could be of added value to arrange additional factory trainings that aim at strengthening social dialogue and local grievance handling on factory level as the factory did not have this at the time of the audit and newly established committees and grievance systems might need support to function well in the beginning. FWF could investigate if there is a local service provider that could carry out a factory training that aims at strengthening social dialogue between management and workers.
2. Bierbaum-Proenen should take an active role in discussing living wages with their suppliers. The FWF wage ladder can be used as a tool to implement living wages. Most relevant wages, such as local minimum wage, average wages and cost of living are provided in the wage ladder. The wage ladder is included in FWF's audit report. It demonstrates the gaps between workers' wages at the factory and the cost of living as well as living wage estimates by local stakeholders. BP should together with the supplier investigate if prices paid are enough to make improvements towards the payment of a living wage. BP should also discuss and come to agreement with the supplier on what first steps needs to be taken to increase wages. By jointly discussing the root causes of wages being low, preferably together with worker representatives, BP and the supplier can agree on an action plan to work towards stepwise improvement of wage levels.

**5. Training and capacity building**

**Conclusions**

1. All staff at BP has been informed about the FWF membership. This has been done through information being posted in the main office of BP, through the intranet and at staff meeting. Sales representative have been trained to talk about FWF and staff visiting the suppliers have been given a special training session. Representatives of BP have also attended FWF's training for affiliates in 2011.
2. All agents have been informed about FWF membership and the implementation of the Code of Labour Practices through meetings with staff of BP.
3. Manufacturers have all been informed about BP's FWF-membership and Code of Labour Practices and all of them have signed and returned the FWF questionnaire. The information sheet for workers has been posted at all suppliers. At BP's factory in Tunisia, training was given to the workers on the Code of Labour Practices.

**6. Information management**

**Conclusions**

1. BP has a designated person who is keeping the supplier register updated. The supplier register submitted is well ordered and contains detailed information on all suppliers. The only information missing is estimates of the importance of subcontractors.
2. BP is developing a system where information regarding code compliance is integrated



in the overall assessment of the supplier. At this point, staff is informed about compliance and outstanding issues by being briefed before visits to factories. Staff can also access documents regarding social compliance of the individual suppliers on the server.

#### ***Requirements***

1. The supplier register should contain estimates of how much of the work is done by sewing subcontractors.

### **7. Transparency**

#### ***Conclusions***

1. BP has information about its FWF membership on the homepage. Furthermore, the company has informed the public, customers and end users through the catalogue, press releases and flyers that have been posted to customers. Communication regarding FWF is important to BP, and the company experiences a growing interest from customers that can be seen through, for example, questionnaires from clients. Plans for the future include using hangtags and an event at the A+A fair together with FWF.

2. As the company joined during 2010, BP is not required to write a social report for 2010.

### **8. Management system evaluation and improvement**

#### ***Conclusions***

1. The Manager Quality Assurance is responsible for evaluation of the effectiveness of the work plan and the available resources.

### **9. Basic requirements of FWF membership**

#### ***Conclusions***

1. Work plan for the current year has been received in time and approved by FWF

2. Membership fee for the previous year has been paid

## 10. Recommendations to FWF

### *Recommendations*

1. FWF has living wages in the Code of Labour Practices and it is the critical issue for FWF. FWF needs to find a way to approach this so members do not risk becoming uncompetitive and punished by the market for the efforts taken to improve working conditions.
2. Trade unions are an essential part of good industrial relations. However, in some production countries, trade unions are not mature and suffer from problems with corruption. FWF needs to have a realistic view of trade unions in production countries and make sure that any cooperation with trade unions is professional. Auditors and others working for FWF should not be promoting the agenda of specific national trade unions.
3. FWF is not known enough among the buyers of BP's products. In France, for example, FWF is not known at all. A first step for FWF to increase awareness and be more accessible could be to have information about FWF in German, French, Dutch and English on the website. FWF could also try to get coverage in industry publications such as Textil Wirtschaft to increase awareness about FWF.

## Annex. Improvement of labour conditions: summary of most important findings

<b>Factory: Bierbaum Proenen's Tunisian factory</b>	
<b>Source: FWF audit in October 2010</b>	
<b>Subcontracting</b>	The factory uses one subcontractor for washing and one for embroidery, these were not a part of this audit.
<b>Workers interviews</b>	Seven workers were interviewed off site before the audit.
<b>Documentation</b>	No findings
<b>Sourcing practices (price, leadtime, quality requirements)</b>	No findings
<b>Monitoring system of FWF member company</b>	No findings
<b>Management system factory to improve labour standards</b>	No findings
<b>Communication, consultation and grievance procedure</b>	The consultative committee is not working properly and there is no internal complaining procedure.
<b>Employment is freely chosen</b>	No findings
<b>No discrimination in employment</b>	No findings
<b>No exploitation of child labour</b>	Juvenile workers did overtime.
<b>Freedom of Association and the Right to Collective Bargaining</b>	No trade union in the factory
<b>Payment of a Living Wage</b>	Some classification of wage levels are not correct and adjustments are needed for some of the bonuses at the factory.
<b>No excessive working hours</b>	No significant findings
<b>Occupational health and safety</b>	Improvements on evacuation instructions and trainings on health and safety needed.
<b>Legally binding employment relationship</b>	No findings

<b>Factory: Macedonia</b>	
<b>Source: FWF audit in March 2011</b>	
<b>Subcontracting</b>	The factory uses one subcontractor for the production of Bierbaum Proenen, this was not a part of this audit.
<b>Workers interviews</b>	Seven workers were interviewed off site before the audit.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	According to information from management business relations with BP are exceptionally good and BP understands the problems the supplier is facing.
<b>Monitoring system of FWF member company</b>	BP has up to the point of the audit had no specific system in place to monitoring working conditions in factory in place. BP's assigned technical controller visits the production on a weekly basis.
<b>Management system factory to improve labour standards</b>	According to information from the management, they continuously work on improving the working conditions in the factory and all legal requirements management implements in the factory.
<b>Communication, consultation and grievance procedure</b>	There is a recently established worker's committee
<b>Employment is freely chosen</b>	No findings
<b>No discrimination in employment</b>	No findings
<b>No exploitation of child labour</b>	No findings
<b>Freedom of Association and the Right to Collective Bargaining</b>	No collective bargaining agreement has been signed at factory level.
<b>Payment of a Living Wage</b>	<ul style="list-style-type: none"> <li>- Some workers earn less than the minimum wage stipulated in the national collective bargaining agreement for the garment industry.</li> <li>- Wages do not meet local stakeholders' estimate of a living wage.</li> <li>- Most commonly paid wage does not cover the cost of a food and drinks for a four member family.</li> </ul>
<b>No excessive working hours</b>	No findings
<b>Occupational health and safety</b>	Improvements needed regarding electrical wiring and in some areas better organisation of physical environment.
<b>Legally binding employment relationship</b>	No findings