



Fair Wear Foundation

Management system audit report
McGregor Fashion Group
January 2011

FWF member since:

19-03-07

Sources of information:

Interview with Kees Schimmel (group director human resources, logistics, legal)

Interview with Bastiaan van Lon (product director McGregor Men Casual)

Interview with Esther Oostdijk (division coordinator Emergo Textile Projects)

Interview with Gie van den Broek (company lawyer)

Interview with Kees Middelkoop (senior product manager Gaastra)

Annual work plan MFG 2010 - 2011

Factory audit and complaints reports

FWF database

Audit conducted by Ivo Spauwen



Fair Wear Foundation

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Introduction

In January 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at McGregor Fashion Group (hereafter: MFG). The MSA is a tool for FWF to verify that MFG 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 MFG in order to assess the key issues of interest. During the MSA, employees of MFG 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 MFG 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 MFG that have been identified as key areas of interest for 2010/2011. 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. FWF encourages MFG to include information from the MSA report in its social report.



Executive summary

In 2010 McGregor Fashion Group (hereafter: MFG) has shown progress in the implementation of most of FWFs management system requirements.

FWF encourages MFG to assess how its purchasing practices can be reviewed to further implementation of the Code of Labour Practices. As a result of increasing order prices throughout Asia MFG is presently reviewing its relationships with many of its suppliers. This is leading to a relatively high amount of changes in the supplier list. As excessive overtime is often found in factories where orders are produced and considering that suppliers have raised that lead times for re-orders are too short, FWF concludes that the purchasing practices of MFG are not guaranteed to provide sufficient space for factories to avoid excessive overtime. FWF recommends MFG in cooperation with its main supplier to investigate the root causes of excessive overtime.

In total the monitoring activities of McGregor Fashion Group covered 61% of its purchasing volume in 2009. This is below the percentage of 90% that FWF requires based on the duration of MFGs membership. As MFG works with a great amount of suppliers the company decided to concentrate on follow up of CAPs with suppliers where audits have already been carried out. FWF recommends carrying out a reasonable number of audits at important suppliers where no audit has so far been done to keep working towards the 90% threshold.

MFG discusses corrective action plans (CAPs) resulting from audits with suppliers through factory visits and ongoing communication, but this is not yet organised in a systematic way. FWF and McGregor are currently assessing possibilities for an in-company training for product managers to strengthen follow up on CAPs.

In 2010 FWF received two complaints from workers of factories where clothing is produced for MFG, filed by workers of factories in China and Turkey (reports can be found on FWFs website). In 2010 MFG made substantial progress in systemizing its approach to maintain information regarding contact information of suppliers, questionnaires, audit reports and corrective action plans. The next step is to have CAP updates systematically stored on the corporate server.



Positive findings

Conclusions

1. In 2009-2010 MFG has shown an active approach in incidental cases of factories unwilling to receive the audit team, during which the company insisted that the audit be allowed to proceed.
2. In 2010 MFG made substantial progress in systemizing its approach to maintain information regarding contact information of suppliers, questionnaires, audit reports and corrective action plans.

1. Sourcing

Conclusions

1. By means of its supplier manual MFG has an explicit document stating that the Code of Labour Practices is a factor in its purchasing practices. Purchasing staff are generally aware that delivery times and order prices play a role in the implementation of the Code of Labour Practices. Herewith the level of working conditions in factories are one criterion in the process of determining which suppliers are selected for order placement. If candidate suppliers can submit an audit report indicating a satisfactory level of working conditions, this is regarded as a positive argument in favour of order placing at the factory. Other criteria such as price per item, lead time, quality and service are in practice given more weight by MFG purchasing staff.
2. As a result of increasing order prices throughout Asia MFG is presently reviewing its relationships with many of its suppliers. This is leading to a relatively high amount of changes in the supplier list. In 2010 the amount of suppliers where clothing was made for MFG increased from 200 to 270. As a result it becomes more complex to work actively on improvements in working conditions with every supplier. In some cases relationships with existing suppliers were prolonged but production was moved to different factory locations, as a result of which previous investments in CAP follow up have partially become redundant.
3. MFGs relations with supplies do not always offer sufficient leverage to effect factories to make progress in implementation of corrective action plans. In approximately 50% of factories where its clothing is produced McGregor Fashion Group accounts for a substantial share of production (5-15% of factory production volume). For the remaining factories McGregor Fashion Group accounts for less than 5% of their production volume.
4. According to information gathered from factory audits the purchasing practices of MFG do not structurally provide sufficient opportunity for factories to avoid excessive overtime and work towards payment of living wages. In 2010 progress was made at Gaastra, where the order placement process was internally streamlined. As a positive result orders could be announced at supplier at an earlier stage, as a result of which suppliers were given more opportunity to avoid overtime usage.



Recommendations

1. FWF recommends adopting a system which takes results of factory audits into consideration when placing new orders. This could for example be a system to reward suppliers which realised substantial improvements.
2. FWF encourages MFG to commit a substantial share of its sourcing volume to a limited number of strategic suppliers. This increases its leverage for CAP implementation and can contribute to a reduction in cost of CSR related activities. It is beneficial to consider the amount of progress that has been made in the implementation of corrective action plans before terminating a business relationships with a supplier. As a part of this MFG could cluster production for specials in a limited amount of factories.
3. It could be beneficial to approach other (non-competing) FWF affiliates to see if production for specials or other collections could possibly be sourced from shared suppliers or factories which joined FWF as a member. FWF is willing to facilitate cooperation with other FWF members where possible, and encourages its members to share suppliers.
4. If factory audits point out that structural overtime is found in factories, MFG could evaluate order placement at such suppliers before new orders are placed. Further recommendations are provided under chapter 4.

2. Coherent system for monitoring and remediation

Conclusions

1. In total the monitoring activities of McGregor Fashion Group covered 61% of its purchasing volume in 2009. This is below the percentage of 90% that FWF requires based on the duration of MFGs membership. As MFG works with a great amount of suppliers the company decided to concentrate on follow up of CAPs with suppliers where audits have already been carried out. The factories that have been audited by McGregor Fashion Group in 2007-2010 by making use of local FWF audit teams represent 58% of the purchasing volume of McGregor Fashion Group. 3 % of the purchasing volume is sourced from what FWF refers to as Low Risk Countries.

In 2009-2010 MFG has shown an active approach in incidental cases of factories unwilling to receive the audit team, during which the company insisted that the audit be allowed to proceed.

2. MFG discusses corrective action plans (CAPs) resulting from audits with suppliers through factory visits and ongoing communication, but this is not yet organised in a systematic way.

Since 2009 progress has been made in getting product managers actively involved in this process:

- Within the business units McGregor and Gaastra coordinators have been identified to ensure that product managers take ownership in this process and to provide support if needed.
- Responsibilities of product managers to follow up on CAPs in dialogue with suppliers have been formalised in vacancies and job descriptions.
- Suppliers representing 50% of the purchasing volume have returned a



completed questionnaire.

The following elements of the CAP follow up process still need improvement:

- Follow up of CAPs is not always sufficiently discussed during meetings with suppliers. If time is running short the CAP tends to fall off the agenda.
- There is no strict timeline for discussing CAPs and reporting on realised progress or agreements made with suppliers.

3. Whereas MFG is collecting reports from previous audits from factories and has shared audit reports with other FWF member companies, it does not proactively cooperate with other customers of factories regarding follow up of CAPs.

Requirements

1. McGregor Fashion Group is expected to meet the required threshold of 90% based on the duration of FWF membership.
2. MFG should collect a completed questionnaire from all its suppliers of clothing.

Recommendations

1. FWF recommends carrying out a reasonable number of audits at important suppliers where no audit has so far been done to keep working towards the 90% threshold. As most audits were done in 2008 it is of added value to carry out follow up audits on behalf of MFG at key suppliers in order to assess where progress has been made.
2. It is of added value to adopt guidelines for product managers to ensure timely follow up of audits. FWF makes the following suggestions:
 - Orders at new and existing suppliers can only be processed in the order tracking system if the concerned supplier has returned a completed questionnaire.
 - It is of added value to let product managers complete a checklist by means of which the most elementary aspects of working conditions in factories can be assessed during factory visits. In addition product managers could send a formal message to all suppliers stating a top-10 of most common issues found in factories and which can be taken care of before the next factory visit or audit. FWF will provide MFG with examples for further reference.
 - Before each travel period of product managers a briefing with the coordinator of the concerned business unit is done to ensure that the improvement points in CAPs are understood and will be discussed with suppliers. Before the factory visit takes place the CAP should be sent to the factory. It is of added value to send a letter / email stating that that the supplier is required to cooperate in the process of jointly following up on the corrective active plan.
 - Within a month after the latest factory visit, a debriefing must have taken place with the coordinator regarding the discussed points from the CAP, agreed improvements and timelines. Key information regarding follow up of the CAP should be filed on the corporate server.
 - Every three months, a product manager contacts factories at least once through

email / phone to discuss progress on the CAP. It is of added value to let product managers ask factories for soft copies of documentation or photos as a means to indicate that improvements have been realised.

- Key information regarding follow up of the CAP should be filed on the corporate server in a consistent way (see section 6 of this report).
- The above responsibilities could be quantified or be specified in bonus system with a SMART framework.

3. FWF recommends cooperating with other customers of suppliers. An increasing amount of factories produces for multiple FWF member companies. If efforts to follow up on CAPs are coordinated greater leverage at suppliers can be attained. This allows for cost efficiencies for FWF members and also reduces the amount of energy that factories need to devote to report to their customers on CAP progress.

Below a few suggestions are given regarding cooperation on CAPs with other customers of suppliers:

- If MFG can demonstrate that it has actively follow up on reports from previous audits, these count towards the monitoring threshold of 90%. In case reports of previous audits have been collected, FWF recommends using the checklist that has been developed to help companies assess the quality of audit reports.
- If audit reports are of sufficient quality FWF encourages its members to contact the company on behalf of whom the audit was carried out, to request a status update on the corrective action plan. If certain points have not been realised yet, MFG is to discuss with the other company how it could contribute to these improvements. It can be of added value to send a common letter to the supplier with other customers to stress which improvement points should be realised within a certain timeframe.
- In case audits are carried out by FWF teams on behalf of two or more FWF members, FWF recommends companies to discuss the CAP within a month after the audit. To ensure smooth follow up between all members, it helps to agree on a number of issues that will be prioritised. Next to this it is useful to coordinate when representatives of involved member companies visit the factory to discuss follow up of the CAP. After each factory visit a status update on the CAP could be shared among all of the involved members.

3. Complaints procedure

Conclusions

1. MFG has designated persons to handle complaints of workers. Product managers are responsible for the process of following up on complaints received by FWF from workers in factories where clothing is produced. The designated coordinators for McGregor and Gaastra are responsible for central coordination of follow up on complaints.

2. Not all product managers are sufficiently aware of FWFs complaints procedure. During factory visits product managers do not systematically check if a translated version of the Code of Labour Practices including contact details of FWFs local complaints handler is posted in the workplace. Factory audits point out that the document is often not posted in a place accessible to workers.



3. In 2010 FWF received two complaints from workers of factories where clothing is produced for MFG, filed by workers of factories in China (access report [here](#)) and Turkey (access report [here](#)). In 2009 FWF received one complaint from a worker of a factory in China, which is pending (access report [here](#)).
4. In 2010 FWF received phone calls from workers of factories in China after audits had been carried out on behalf of MFG. These phone calls related to improvement issues such as excessive overtime and lacking social insurance payments that had already been included in the CAP from recent audits. These phone calls were therefore not handled as separate complaints, but FWF requested that these issues were prioritised in CAP follow up and that FWF would be kept updated about this process. FWF did not receive information from MFG on how these issues were followed up with factories.
5. The manner in which MFG responds to complaints and phone calls from workers after audits is to a varying extent effective. When complaints or phone calls after audits relate to salary or contract issues of individual workers, the company acts adequately by responding quickly and requesting factory management to take corrective action. In case of complaints related to relatively complex issues such as anti-union behaviour at supplier management or excessive overtime, no sustainable corrective action has been realised as root factors are not addressed.

Requirements

2. MFG must ensure that the translated version of the Code of Labour Practices including contact details of FWFs local complaints handler is posted in the workplace of all factories where clothing is made.
4. FWF expects MFG to share updates about the process to follow up on CAPs in factories whereof workers contacted FWF to complain about issues after an audit was carried out. This enables FWF to relay such information to these workers through its local complaints handler.

Recommendations

3. FWF recommends MFG to strengthen understanding of FWFs complaints' procedure among its product managers, for example through training and making this a recurring issue in its internal newsletter.
3. To ensure adequate follow up on all complaints it is of added value to keep a central overview of all received complaints. This enables the coordinators within McGregor, Gaastra and ETP to ascertain that complaints are followed up effectively within a reasonable timeframe.

4. Improvement of labour conditions

Conclusions

1. The five audits carried out on behalf of MFG in China and India during 2010 indicated

the following:

No severe non-compliances were found on discrimination, child labour and forced labour.

In three factories a trade union or workers' committee existed but did not function effectively: workers were not aware of the union or committee and/ or management was involved in these entities.

In all factories a substantial amount of workers in the knitting, quality control, ironing and packaging department earned less than the amount that is considered sufficient as a living wage by FWFs local stakeholders. Generally leave benefits tend not to comply with Chinese labour legislation and production workers on a piece rate are not sufficiently compensated for overtime work.

In the five audited factories excessive overtime was found, with total weekly working hours ranging from sixty up to ninety working hours. As a result a weekly rest day could not be guaranteed to a substantial amount of workers. Factories lack a functioning system to ensure that overtime is voluntary.

In all factories situations were observed wherein fire extinguishers are insufficiently accessible and / or emergency exits are blocked by machinery or materials. In one factory machinery lacked appropriate needle guards.

In two factories it was found that the majority of employees were not provided with pension, medical, accident, unemployment and maternity insurances. In two factories a copy of the employment contract was not provided to employees by the factory.

2. An audit on behalf of FWF was carried out in May 2010 at a factory in China that was previously audited in 2008 on behalf of MFG, in order to verify improvements in working conditions. The audit pointed out that several improvements had been made:

The factory adopted formal policies to register juvenile workers according to Chinese regulations in order to avoid child labour.

The factory stopped charging new workers a financial sum upon recruitment, which previously functioned as a barrier to discourage workers to resign within 3 years.

Since the previous audit the factory established a union. The audit on behalf of FWF pointed out that this union was not yet functioning effectively as most workers were not aware of its existence.

With regard to payment of wages general documentation was improved since the previous audit and basic wages had been increased in accordance with the new local minimum wage. Further improvement on wages was still needed: payment was delayed in several months, and in some cases basic wages were not correctly calculated.

Since the previous audit the factory had become more transparent on working hours. Further steps forward are needed: estimated work time of the factory is around 62 hours per week, and workers were not guaranteed a weekly rest day.

Many improvement issues remained with regard to occupational health & safety: fire extinguishers were lacking in critical areas in the work place, first aid boxes were incomplete. Emergency exits were insufficiently marked in the factory dormitory and in some parts of the work place. In some production areas machine safety was found to be insufficient.

With regard to employment contracts, the audit on behalf of FWF pointed out that all improvement issues from the previous audit had been realised. *Based on results of audits carried out by FWF teams to verify improvements FWF has drawn up an overview*

of improvements in labour conditions in factories. The overview is annexed to this report.

Recommendations

1-2. It is recommended to arrange factory trainings that aim at strengthening social dialogue on factory level. FWF is in contact with a local NGO / union active in the city where the factory is located. This NGO/union could carry out a factory training that aims at strengthening social dialogue between management and workers. As part of the training workers would learn how to organise a free ballot to elect representatives, and how to communicate effectively with management.

FWF recommends MFG in cooperation with its main suppliers to investigate the root causes of excessive overtime. As part of such an analysis all incidents of overtime, their origin and severity should be recorded during a period which is representative for an entire business year (at least 3 months, preferably an entire business year). After this analysis, a step-by-step plan could be drafted by the factory to bring the amount of working hours down to legally allowed levels. As an outcome of assessing the root causes of excessive overtime, the plan should specify how and if and to what extent the factory can control overtime hours, and to what extent the buyer can assist. If requested FWF is in the position to make further suggestions based on experience with similar factories. FWF could also provide references of credible service providers who could facilitate an assessment on working hours in the workplace.

FWF recommends to assess in cooperation with key suppliers which have demonstrated a reasonable amount of progress in implementation of a CAP how further steps forward towards payment of living wages for a regular working week can be made. In relation to its wage ladder approach FWF could share expertise which would help the involved parties define a practical framework for such an agreement.

5. Training and capacity building

Conclusions

1. Staff of MFG is sufficiently informed about FWF membership and the implementation of the Code of Labour Practices. To strengthen follow up on corrective action plans (CAPs) MFG is actively strengthening awareness of the implications of FWF membership among its product managers. Important elements in this process are the manual for company staff, a periodic newsletter for members of the purchasing department and half year meetings wherein FWF staff repeatedly participated. FWF and McGregor are currently assessing possibilities for an in-company training for product managers to strengthen follow up on CAPs.

2. Suppliers are generally informed about FWF membership and the implementation of the Code of Labour Practices. This is not yet done in a systematic way. Agents are generally expected to only work with factories that are compliant with or willing to work towards the FWF Code of Labour Practices. They are encouraged, in some cases requested, to observe the audit process in factories. Factories are globally informed about the implications of FWF membership through the corporate supplier manual, factory visits and ongoing communication with product managers. McGregor requested its suppliers in Tiripur (India) to participate in a seminar hosted by FWF late 2010 to



discuss how forced labour could be addressed in context of local Sumangali schemes. In January 2011 staff of the Hong Kong office of MFG attended FWFs supplier seminar for South China.

4. McGregor has not taken steps to commission trainings for workers or management staff of factories or deployed local experts to support factories in realising improvements in working conditions.

Recommendations

1. FWF recommends McGregor to stress the following issues in the training of product managers in March 2011:

- Working effectively in follow up of CAPs after audits more systematic;
- Strengthen understanding of FWFs complaints' procedure;
- Strengthen understanding of FWFs approach with regard to payment wages and reasonable working hours in factories.

It could be of added value to provide a periodic coaching session for product managers. Reflecting on practical questions that arise could support people in becoming more proactive in the CAP follow up process.

It could be of added value to let purchasing staff of MFG interact with people from other member companies. FWF encourages its member companies to exchange experiences among each other and organises several occasions where this is possible (FWF Members Day, training seminar for companies).

Product managers can contact FWF directly when questions arise in the process of following up on CAPs with suppliers.

2. To ensure effective cooperation with suppliers on realisation of corrective action plans it is of added value to deepen the understanding of suppliers (factories and agents) regarding the implications of FWF membership.

A possibility is to distribute communication materials from FWF among suppliers. These are freely available on request.

To ensure that factories take ownership in the process of improving working conditions, FWF has made it possible for factories to join as a member. In case suppliers have demonstrated transparency on working conditions and a proactive approach to work towards improvements, MFG could encourage such factories to join FWF as a factory member.

FWF recommends encouraging suppliers to participate in seminars that are organised in countries such as India and China. In 2011 FWF hosts supplier seminars in China to explain the FWF approach, to tackle any misunderstandings and to provide a platform for exchange of perspectives and ideas on recent and anticipated developments in the sector between agents, factories and other local stakeholders.

4. In case of improvement issues related to wages and working hours, FWF recommends assessing if hiring a local service provider could support factories in achieving improvement outlined in the corrective action plans. Often suppliers might need new knowledge and skills to address root causes of non-compliance issues.

FWF recommends choosing this approach if the factory has demonstrated its



commitment to this process. It is beneficial to share the cost of hiring the expert with the factory.

FWF can make further suggestions and provide references of credible service providers on request.

6. Information management

Conclusions

1. FWF finds that the supplier register that was submitted with the 2010 and 2011 work plans is accurate, but not complete. The 2011 supplier register specifies when questionnaires were collected from suppliers, when audits and company visits took place. For all audited factories the register specifies the designated person for coordination of follow up of the corrective action plan. The supplier register does not specify factory production capacity, the percentage of production for MFG at each factory, lead times and production categories and number of workers per factory.

2. MFG has a procedure for keeping information for the supplier register up to date. Product managers are required to collect and provide following information:

- Information regarding production location addresses;
- Dates when completed questionnaires were received back from suppliers;
- Dates on which audits were carried out;
- Date on which the corrective action plan has been discussed with the supplier.

Within McGregor a designated person coordinates if product managers submit the above information and reports to the product director of McGregor. The company has a central overview of which product managers have submitted which information, and which information is still required. Not all product managers are providing up to date information on suppliers. McGregor is currently assessing how this information flow can be improved to ensure that all information is up to date.

3. In 2010 MFG made substantial progress in systemising its approach to maintain information regarding contact information of suppliers, questionnaires, audit reports and corrective action plans.

McGregor has made information regarding the implementation of the Code of Labour Practices available for all staff of the purchasing department. The above mentioned information is centrally stored in the corporate order processing system. All questionnaires, audit reports and questionnaires are stored on the corporate server under a clear document structure.

4. CAP updates are not systematically stored on the corporate server. As there is no general approach how to enter information on status updates in CAPs strong variety exists in how these documents are kept. As a result it is difficult to have a general overview of the level of working conditions in factories. Also, it is difficult to assess which general trends exist in improvements that have been realised in factories.



Requirements

1. The supplier register should specify the following information for each factory:

- Estimated production capacity
- Percentage of production for MFG
- General lead time
- Main production items
- Estimated number of workers

Recommendations

2. FWF recommends that the persons coordinating follow up by product managers give sufficient weight to the process of collecting questionnaires and reports of previous audits during discussions that are part of this process.

It would be useful to do periodic cross checks to assess if all information is up to date. For example: if an audit has been carried out the factory address information from audit reports could be cross-checked against the information registered in the central supplier register to assess if accurate information about the production location has been registered.

It is of added value to do a periodic check if audit reports are stored on server and if a CAP update has been filed by a product manager within 1 month after the latest factory visit.

4. It is recommended to let product managers maintain CAP updates in a standardised way. This strengthens the general quality of data and makes it relatively easy to share information between members of the purchasing department.

To make sure that improvements over time become visible an additional column with an information update could be added to the CAP (soft copy) after each factory visit, and at least once in three months.

Specifying a few guidelines for regarding the layout of the template could help ensure that all information is kept in a consistent way. This will help making the ongoing meetings between product managers FWF coordinators within McGregor, Gaastra and ETP to have effective periodic meetings with product managers to assess progress.

7. Transparency

Conclusions

1. MFG informs the external public about its FWF membership through its corporate website in line with FWFs requirement. There is no in-store communication regarding FWF membership.

2. MFG submitted its 2009 annual social report to FWF and published it on its corporate website. The report describes the steps taken in 2009 to further embed FWF membership in its corporate structure and generally summarizes the most important



improvement issues from audits.

Recommendations

1. McGregor could start making use of hangtags or washing labels to inform customers about its FWF membership, since the company meets FWFs requirements regarding hangtag usage.

FWF could provide input for a Q&A document for sales staff which contributes to more awareness of FWF membership for in-store communication towards customers.

2. FWF recommends using the annual social report to describe activities to monitor and improve working conditions in its supply chain in more detail, and to further specify which results were realised through follow up of audits.

8. Management system evaluation and improvement

Conclusions

1. MFG evaluates its practices to improve working conditions in factories as part of its ongoing activities regarding FWF membership.

The company has quarterly internal meetings wherein progress in implementation of the FWF Code of Labour Practices is discussed. These meetings involve senior representatives of McGregor, Gaastra and ETP, the company lawyer and the group director for human resources. MFG evaluates FWF membership and the process of improving working conditions as part of these internal meetings.

2. MFG does not systematically collect feedback from agents and manufacturers to evaluate the implementation of the Code of Labour practices

Recommendations

2. FWF recommends collecting feedback from suppliers regarding implementation of the Code of Labour Practices. This is of added value now substantial steps to work towards improvements in working conditions have been taken.

As a part of this McGregor and its suppliers could assess which improvements were (not yet) successfully implemented in factories, if communication with factories on this issue goes smooth, and whether the chosen approach is cost efficient.

9. Basic requirements of FWF membership

Conclusions

1. MFG meets the basic requirements of FWF membership: The company handed in work plans for 2010 and 2011 and paid its membership fee for 2010.



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	Summary of most important findings from audits carried out at a factory in China to monitor working conditions (Nov 2008)	Summary of most important findings from audit in the same factory on behalf of FWF to verify improvements (May 2010)
Workers interviews	Workers were interviewed prior to the date of audits. Individual meetings were held with them outside the factory premises outside the working hours. In addition, meetings were held with randomly selected workers of the factory.	14 workers (9 female and 5 male) were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside working hours. In addition, an hour-long meeting was held with 23 workers (14 female and 9 male) randomly selected workers of the factory.
Documentation	Grievance and disciplinary records not kept. Records on wages and working hours found to be falsified.	In case of some workers overtime is not registered on weekday evenings.
Sourcing practices (price, leadtime, quality requirements)	Not included in this audit.	No non-compliances found.
Monitoring system of FWF member company	McGregor Fashion Group started monitoring activities in this factory means of audits by FWF teams.	McGregor Fashion Group audited the factory in 2008 as part of its monitoring process. The factory has not kept audit reports from the last audit.
Management system factory to improve labour standards	Subcontractors are not informed about the FWF Code of Labour Practices. Factory did not set up a system to monitor the compliance status of subcontractors.	The FWF Code of Labour Practice is posted on top of the board for the Chinese labour law. Workers are not trained on the content of FWF Code and how it can be used.
Communication, consultation and grievance procedure	Workers unaware of the responsible person for social compliance program in their factory.	No non-compliances found.
Employment is freely chosen	Facility charges workers who started working 400 RMB if they resign within three years.	No non-compliances found.
No discrimination in employment	No non-compliances found.	No non-compliances found.
No exploitation of child labour	Juvenile workers were not registered under the local labour bureau.	Factory adopted formal policies to register juvenile workers according to Chinese regulations.
Freedom of Association and the Right to Collective Bargaining	Facility does not keep union election records. The union president is designated by management.	The factory union not yet functioning effectively as most workers were not aware of its existence.
Payment of a Living Wage	New workers were paid less than the local minimum wage during the probation period. Facility does not provide paid sick leave to workers.	General documentation was improved since the previous audit and basic wages had been increased in accordance with the new local minimum wage. Further improvement on wages was still needed: Payment was delayed in several months. In some cases basic wages were not correctly calculated.
No excessive working hours	The facility does not maintain a voluntary overtime system. The facility maintains falsified time records. Facility does not provide at least one day off every seven consecutive working days.	Since the previous audit the factory had become more transparent on working hours. Further steps forward are needed: Estimated work time of the factory is around 62 hours per week. Workers were not guaranteed a weekly rest day.
Occupational health and safety	Sewing machines don't have needle guards. No worker has received first aid trainings given by qualified trainers.	Many improvement issues remained with regard to occupational health & safety: fire extinguishers were lacking in critical areas in the work place, first aid boxes were incomplete. Emergency exits were insufficiently marked in the factory dormitory and in some parts of the work place. In some production areas machine safety was found to be insufficient.
Legally binding employment relationship	19 out of 538 workers not covered with insurances required by Chinese legislation. Facility has not signed labour contracts with 10 workers recruited in August 2008.	All improvement issues from the previous audit had been realised.
Special remarks	None.	None.

	Summary of most important findings from audits carried out at a factory in China to monitor working conditions (Nov 2008)	Summary of most important findings from audit in the same factory on behalf of FWF to verify improvements (Dec 2009)
Workers interviews	15 numbers of workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside working hours. Short interviews were also conducted with 20 workers on the shop floor on the days of the visit to the factory.	9 female and 5 male workers were interviewed prior to the date of the audit, outside the factory premises. Short interviews were conducted with 7 female and 3 male workers on the shop floor on the days of the visit to the factory.
Documentation	The factory lacks general documentation regarding social compliance. Most importantly working hours are not accurately recorded.	Working hours are not accurately recorded. Other documentation was improved after the initial audit by McGregor Fashion Group.
Sourcing practices (price, leadtime, quality requirements)	Not included in this audit.	The order price from MFG has remained similar from the beginning of the year, but shows a 10% drop compared to 2009. Since the production costs have been rising, the factory can only maintain balance but makes no profit.
Monitoring system of FWF member company	McGregor Fashion Group started monitoring activities in this factory means of audits by FWF teams.	McGregor Fashion Group audited the factory in 2008 as part of its monitoring process. McGregor Fashion Group has no direct communications with the factory on CSR. All communications are going through the agent company in Hong Kong.
Management system factory to improve labour standards	The Code of Labour Practices was not posted in the factory. Management and workers are not aware of the Code of Labour Practices.	The Code of Labour Practices was posted after the initial audit, however it was found that the document is located in a corner difficult to be noticed for workers.
Communication, consultation and grievance procedure	Workers unaware of the responsible person for social compliance program in their factory.	Workers remain poorly aware of the factory policy to improve working conditions.
Employment is freely chosen	No non-compliances found.	No non-compliances found.
No discrimination in employment	No non-compliances found.	No non-compliances found.
No exploitation of child labour	No non-compliances found.	No non-compliances found.
Freedom of Association and the Right to Collective Bargaining	Factory does not have a workers' committee or workers' representatives to facilitate the communication between workers and the management.	A workers committee was established after the initial audit, however it was found that workers are not aware of its existence.
Payment of a Living Wage	Factory does not provide paid annual leave to workers. Piece rate workers are not compensated for legal holidays. Factory does not provide pay slips to the workers.	Non-compliances with regard to payment of wages and benefits remained in place. Workers are not paid premiums for overtime in evenings, during weekends or on public holidays.
No excessive working hours	Factory has not established a voluntary overtime system. Monthly overtime exceeds the legal limitation of 36 hours. Factory does not provide workers with at least one day off every seven consecutive working days.	The factory became more transparent on working hours after the initial audit. Excessive overtime remains a problem. General working hours are time estimated in the range of 60-80 hours/week. The factory cannot guarantee one rest day in every week for all workers.
Occupational health and safety	Evacuation maps are missing in the dormitory, canteen and production workshops on the second and third floors.	A significant amount of improvement issues on health and safety remains necessary in the factory. No training for workers who work with chemicals.
Legally binding employment relationship	Not all workers are covered with five kinds of social insurance as required according to Chinese law. Labor contracts do not contain terms of remuneration.	No details of wages, work time, rest days and holidays are mentioned in the labour contracts. Workers do not have a copy of the labour contracts.
Special remarks	None.	None.