



Fair Wear Foundation

Management system audit report

Hydrowear BV

1 September 2010

FWF member since: 01-07-2009

Sources of information

A: Database FWF

B: Annual report and work plan

C: Archived documents

D: interview with Mr. Gerard Cramer (managing director), Ms. Betty Cramer and Mr. Jeroen Borghuis (managing director)

Audit conducted by:

Ivo Spauwen



Fair Wear Foundation

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1. Introduction

In September 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Hydrowear BV. The MSA is a tool for FWF to verify that Hydrowear 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 2009 and 2010. FWF tailored the MSA to the specifics of the management system of Hydrowear BV in order to assess the key issues of interest. During the MSA, employees of Hydrowear 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 Hydrowear 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 Hydrowear 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 Hydrowear BV to include information from the MSA report in its social report.



2. Executive summary

On the basis of the management system audit that was carried out in September 2010, FWF concludes that Hydrowear BV does not live up to most of the management system requirements.

Hydrowear BV works with a limited number of suppliers. The company has a long term relationship with its main supplier of clothing. This could be instrumental for the process of working towards improvements in working conditions.

Hydrowear BV believes that the level of working conditions at its supplier in China are of a sufficient level and do not need additional interference from their side. Hydrowear BV does not assess if its delivery times lead to excessive overtime. The company also does not assess if its purchasing prices contribute to a systematic approach towards a living wage for workers.

To date no audits have been carried out on behalf of Hydrowear BV to monitor working conditions in factories. As a result Hydrowear BV does not meet the threshold of 40% which is required for the first year of membership. Hydrowear BV does not cooperate with other customers of manufacturers regarding follow up on corrective action plans and does not follow up on existing audit reports.

FWF encourages Hydrowear to evaluate internally if the company is willing to commit to the management system requirements stemming from FWF membership. Under FWF membership companies cannot solely rely on supplier assurance that working conditions have sufficiently been taken care of. FWF expects Hydrowear BV and its suppliers to share responsibilities with regard to processes to improve working conditions in factories.

Hydrowear BV is expected to assess the level of wages and working hours in factories in relation to its purchasing practices to ensure these allow the manufacturer to implement the FWF labour standards. In order to initiate the process of working towards improvements in working conditions in factories Hydrowear BV is required to arrange an audit that meets the quality requirements of FWF at its main supplier as soon as possible.

3. Positive findings

| Conclusions |
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| 1. Hydrowear BV works with a limited number of suppliers. The company has a long term relationship with its main supplier of clothing. This could be instrumental for the process of working towards improvements in working conditions. |

4. Sourcing

| Conclusions |
|---|
| 1. Hydrowear BV works with a limited number of suppliers. The company has a long term relationship with its main supplier of clothing which is based in China. In the course of 2010 Hydrowear will decide whether it will continue its relationship with its current supplier or divert orders to new suppliers. In addition Hydrowear BV places orders at a |



factory in Croatia through its sister enterprise in Belgium.

2. Hydrowear BV believes that the level of working conditions at its supplier in China are of a sufficient level and do not need additional interference from their side.

3. Hydrowear BV does not assess if its delivery times and the pricing policy do not lead to excessive overtime and contribute to a systematic approach towards a living wage for workers. According to a due diligence report from 2008, Hydrowear BV finds that wages at the factory of its supplier in China are above average. FWF does not conclude that the minimum wage at the factory is paid as the due diligence report does not specify if the mentioned wage level is paid for a regular working week or for total working hours including overtime.

Requirements

2. FWF expects Hydrowear BV and its suppliers to share responsibilities with regard to processes to improve working conditions in factories. Under FWF membership companies cannot solely rely on supplier assurance that working conditions have sufficiently been taken care of.

3. Hydrowear BV is expected to assess the level of wages and working hours in factories in relation to its purchasing practices to ensure these allow the manufacturer to implement the FWF labour standards.

Recommendations

1. FWF recommends asking potential new suppliers to share existing audit reports with Hydrowear BV as a means to assess the level of working conditions in these factories.

5. Coherent system for monitoring and remediation

Conclusions

1. To date no audits have been carried out on behalf of Hydrowear BV to monitor working conditions in factories. As a result Hydrowear BV does not meet the threshold of 40% which is required for the first year of membership.

2. Hydrowear BV does not cooperate with other customers of manufacturers regarding follow up on corrective action plans. Hydrowear BV does not ask if factories have been audited on behalf of other clients, and does not collect existing audit reports.

3. The supplier of Hydrowear BV which is based in China has diverted orders to subcontractors in the past without informing Hydrowear about this. Hydrowear BV found out about this after the order had been placed. In response, Hydrowear BV has requested its suppliers to be informed before orders are placed at subcontractors.

Requirements

1. Hydrowear BV is required to set up a coherent monitoring system and arrange an audit (that meets the quality requirements of FWF) at its main supplier as soon as possible in order to meet the required threshold of 40% based on the duration of FWF membership.

Recommendations

1. It is recommended to involve the local quality controller in the process of following up corrective action plans. On request FWF could provide on the job training for this person. It is recommended to check an example audit report from a local FWF audit team in China, as a reference for FWFs audit quality requirements.
2. FWF recommends to check if factories have been audited on behalf of other customers and to ask them to share audit reports with Hydrowear BV. On the basis of FWFs audit quality checklist Hydrowear BV will be able to assess the quality of existing audit reports. If audit reports are of sufficient quality Hydrowear 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. Hydrowear BV has a designated person to handle complaints from workers of factories.
2. Until the time of the management system audit, FWF had not received complaints from workers of suppliers of Hydrowear BV. On the basis of the information submitted by Hydrowear BV FWF could not verify if the Code of Labour Practices including the contact details of the local complaints handler have been posted in the factories in a place freely accessible to workers.

Recommendations

2. It is advised to let the local quality controller in China see to it that the Code of Labour Practices, including contact information of the local complaints handler of FWF, is posted in factories during every visit. FWF recommends to take digital pictures as a means to prove that the Code of Labour Practices is posted in a place easily accessible to workers.

7. Improvement of labour conditions

Conclusions

1. Hydrowear has collected a corrective action plan from an audit carried out in 2008 at the factory of its supplier in China. The audit pointed out that various improvement points exist in the area of fire safety. The audit report also pointed out that inconsistencies were identified between the manufacturing records and attendance records, as a result of which no evidence was found to confirm that workers had one day off per seven working days. Excessive overtime was found up to 55 hours per month. As Hydrowear BV has not undertaken further activities to monitor working conditions at its supplier in China, FWF did not draw up a detailed overview of labour conditions this factory.
2. Hydrowear BV has collected a report of an audit carried out in 2006 at the Croatian supplier of its sister enterprise in Belgium. According to this audit report, improvement issues were only found in the area of fire safety and waste management.

Requirements

1. Hydrowear BV is required to arrange an audit (that meets the quality requirements of FWF) at its main supplier as soon as possible in order to initiate the process of working towards improvements in working conditions in factories.

8. Training and capacity building

Conclusions

1. Hydrowear BV does not engage with local stakeholders in production countries to carry out factory training to improve social dialogue on the factory level or deploy local experts to support factories in realizing improvements in working conditions.
2. Hydrowear BV management staff is not sufficiently aware of the implications of FWF membership.

Recommendations

2. FWF recommends that staff of Hydrowear BV plans a workshop for their staff to explain the consequences of FWF membership.

9. Information management

Conclusions

1. Hydrowear BV has submitted a supplier register to FWF in combination with its work

plan for 2009-2010. The supplier register does not include subcontractors of suppliers, whereas Hydrowear BV is aware of their existence.

Requirements

1. The supplier register of Hydrowear BV must contain subcontractors all suppliers. Hydrowear BV is expected to request its suppliers to specify the production location and production capacity of each subcontractor.

Recommendations

1. FWF recommends that Hydrowear BV develops a procedure for collecting information needed for its suppliers register.

10. Transparency

Conclusions

1. Hydrowear BV has placed the FWF logo on its website, product catalogues and company paper. Additional information such as a description of how Hydrowear BV has implemented FWF membership, results from factory audits) is not provided.

2. Hydrowear BV has not yet published an annual social report on 2009 on its website, which is not required by FWF as the company wrote a combined work plan for 2009-2010.

Requirements

1. FWF expects Hydrowear BV to specify on its website that its FWF membership means that it takes an active role in the process of working towards improvements in working conditions in factories.

11. Management system evaluation and improvement

Conclusions

1. Until the time of the management system audit Hydrowear BV had not evaluated its FWF membership.

Recommendations

1. Considering the fact that Hydrowear BV has not undertaken sufficient actions that



meet the expectations of FWF regarding membership in 2009-2010 it is advised to carry out a formal evaluation to assess if the company is willing to commit to the management system requirements stemming from FWF membership. It could be beneficial to collect feedback from important customers, suppliers and the Belgian branch of Hydrowear.

12. Basic requirements of FWF membership

Conclusions

1. Hydrowear BV has handed in a combined work plan for 2009 and 2010.
2. Hydrowear BV has paid its membership fees for 2009 and 2010.

13. Recommendations to FWF

Recommendations

None.