



Fair Wear Foundation

## Management system audit report

PWG

5 October, 2010

***FWF member since: 01-07-2005***

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

A: Database FWF

B: Annual report and work plan

C: Archived documents

D/E: Marcel Westveer (General director/CSR/FWF)

F: Alwin en Carlo Vermeulen (Sourcing)

G/H: Tjeerd Sorgdrager (Communication/sales)

Audit conducted by:

Margreet Vrieling (report)



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## 1. Introduction

In October 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at PWG Bedrijfskleding B.V. The MSA is a tool for FWF to verify that PWG Bedrijfskleding B.V. 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 PWG in order to assess the key issues of interest. During the MSA, employees of PWG 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 PWG 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 PWG 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](http://www.fairwear.org). FWF encourages PWG to include information from the MSA report in its social report.



## 2. Executive summary

Since its affiliation, PWG Bedrijfskleding B.V. has communicated actively its FWF membership with staff and external contacts. Furthermore they have taken responsibility for implementing social compliance for own production. The company is using partly fair-trade certified cotton. The own production is commissioned only in low risk countries. Own production accounts for 75% of total turnover. PWG has a long list of external suppliers. A small number of the external suppliers are either an affiliate of FWF or have endorsed the Code. This makes that in total up till now 80% of the supply base is either audited, originates from a low risk country or originates from suppliers which have endorsed the Code of Labour Practices. More efforts from PWG are required to reach the threshold of 90%.

## 3. Positive findings

<b>Conclusions</b>
1. PWG uses Fairtrade cotton for some products.

## 4. Sourcing

<b>Conclusions</b>
<ol style="list-style-type: none"><li>1. PWG Bedrijfskleding B.V. is sourcing own production only in low risk countries. Own production accounts for 75% of total turnover.</li><li>2. PWG has a longstanding relationship with the production factory in Poland of more than 20 years. Communication between the company and the agent of the factory is taking place daily. Social compliance issues appear regularly on the agenda.</li><li>3. The factory uses subcontractors in busy periods.</li><li>4. PWG provides the factory with materials, mostly on a weekly basis. Lead time for the products differs from 1 - 13 weeks.</li><li>5. In order to assure the use of the production capacity throughout the year PWG orders for stock in low periods</li><li>6. PWG has a long list of external suppliers. Right after affiliation with FWF information on FWF with a questionnaire has been sent to all the suppliers. The response was very low. In 2007 PWG has sent out the questionnaire again to their 10 main external suppliers. 4 of their suppliers sent it signed back, endorsing the standards of the FWF Code of Labour Practices. In total 12 of the external suppliers, representing 35% in volume, are either an affiliate of FWF or have endorsed the Code. So far this has not influenced the process of sourcing because PWG depends to a high extend on the demands of clients.</li><li>7. Due to the fact that PWG has a very limited number of suppliers of own production there is no written sourcing policy. No selection of new suppliers is foreseen for the coming year.</li></ol>

**Recommendations**

6. In order to increase the percentage of sourcing with suppliers that have endorsed the Code of Labour Practices or have a different acceptable system of monitoring their supply chain, PWG should weigh this factor more when placing orders or invest more efforts in getting information from suppliers.

## 5. Coherent system for monitoring and remediation

**Conclusions**

6. An FWF audit was performed during 2006 in the factory in Poland. The corrective action plan resulting from the audit has been given follow up. Reports are made on the actual situation.
7. Poland is for FWF a low risk country. Furthermore production takes place in a factory which also employs disabled workers. There is sufficient control on labour conditions in the country itself.
8. Due to the frequent contact, where also follow up on the corrective action plan is being discussed, PWG is well aware of the actual situation in the factory. Within PWG the person responsible for the follow up is the same as the person placing orders.
9. Of the own production, commissioned by PWG, 100% is audited and/or originating from a low risk country. From the other suppliers of sewn products there is only a small percentage which is either FWF affiliate or has endorsed the Code of Labour Practices. Consequence is that PWG does not know for all suppliers in which countries the products they buy from external suppliers are produced. In total 80% of the own and external production together has been audited, originates from a low risk country or originates from suppliers which have endorsed the Code of Labour practices. This is below the required threshold of 90%.

**Requirements**

4. PWG has to ensure that suppliers of external production endorse either the FWF Code of Labour Practices or have another acceptable system in place for monitoring their supply chain.

## 6. Complaints procedure

**Conclusions**

1. There is a designated person within PWG to handle complaints of workers.
2. The member company has not received any complaints submitted by workers on their working conditions.

## 7. Improvement of labour conditions

### *Conclusions*

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.

In Poland an FWF audit was done in 2006. Given the fact that the factory employs handicapped people, they have to comply with specific norms and are subject to more control. Workers receive at least minimum wage. Not for all workers it was clear how wages were calculated and how piece rate payment related to minimum wage. One of the issues found that needed improvement was communication between the workers and the factory. Another issue found during the audit was an excess of overtime hours. The agent of PWG supervises the factory. Representatives of PWG itself visit once a month the production unit. According to PWG atmosphere and communication have positively changed. A written report of their last visit was given for the purpose of this audit. According to the statements of PWG there is no excessive overtime anymore and workers are better informed on the calculation of their wages. In this report it is mentioned that the Code of Labour Practices had been posted temporarily.

### *Requirements*

1. PWG has to ensure that workers always have access to the information from the Code of Labour Practices and the complaints handlers' phone number.

## 8. Training and capacity building

### *Conclusions*

1. With 28 employees PWG is a small company. Staff is sufficiently informed about FWF membership and news related to it.
2. At least once a year issues relating to FWF are placed on the agenda of the sales meeting.
3. Progress and necessary steps for monitoring and follow up of the CAP are discussed in the management team.
4. Manufacturers of own production are informed about FWF membership and the Code of Labour Practices.

## 9. Information management

### *Conclusions*

1. The supplier's overview is kept updated. However it doesn't contain all the information FWF requires per production unit. During the audit PWG shared the missing information.
2. The factory in Poland uses subcontractors which are not included yet in the register.
3. Seen the fact that the person responsible for implementation of the Code of Labour Practices in the premises of the manufacturers is the same as the person placing

orders, information regarding compliance is completely integrated.

**Requirements**

1. The supplier register format will have to be completed with the relevant data on production capacity, production process, address etc.
2. If it concerns subcontractors for the manufacturing process, PWG has to ensure that their membership of FWF is made known also to the subcontractors. Furthermore PWG has to facilitate that the Code of Labour Practices is posted on a place in the factory easily accessible for worker.

**10. Transparency**

**Conclusions**

1. The member company informs the public about its FWF membership.
2. The annual social report of the previous year has been received and placed on the website of the member company. It is a concise report.
3. Information about FWF membership is posted on the website of the member company in correct wording. The former logo of FWF is still being used.
4. Information about their membership is used with procurement.

**Recommendations**

3. PWG should use the new logo of FWF in their communication.

**11. Evaluation**

**Conclusions**

1. PWG evaluates annually to what extent goals related to their FWF membership are reached with the management team.

**12. Basic requirements of FWF membership**

**Conclusions**

1. The Work plan for the current year has been received
2. Membership fee for the current year has been paid

**13. Recommendations to FWF**

**Recommendations**

1. PWG would like to advice FWF to diminish the administrative burden for small companies.
2. A representative of PWG was wondering whether sourcing in China can be aligned with a FWF membership. He recommended to make clear to the public what results



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are achieved in China.

3. Get FWF on a European level recognized as a multistakeholder initiative whose members are admissible for European public procurement.
4. FWF should be stricter on membership. Companies who do not perform should be corrected or otherwise membership should be terminated in order to maintain high credibility. This should also be made public.

Annex Improvement of labour conditions

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Country: Poland</b>
	<b>Source: FWF audit audit, november 2006</b>
<b>Workers interviews</b>	12 workers were interviewed prior to the date of the audit
<b>Documentation</b>	
<b>Sourcing practices (price, leadtime, quality requirements)</b>	not part of audit
<b>Monitoring system of FWF member company</b>	not part of audit
<b>Management system factory to improve labour standards</b>	not part of audit
<b>Communication, consultation and grievance procedure</b>	Code of Labour practices was not posted in the factory. Workers were not sufficiently aware of their rights. A workers council was established according to the law. Communication between workers and management not effective.
<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>	There is a union active in the factory
<b>Payment of a Living Wage</b>	Minimum wage is paid, social security contributions are paid. Not for all workers its clear how wages are calculated.
<b>No excessive working hours</b>	OT is not registered properly.
<b>Occupational health and safety</b>	Some improvements are needed; protection for sewing and cutting machines should be made available, as well as necessary instructions.
<b>Legally binding employment relationship</b>	No findings
<b>Special remarks</b>	Factory works with disabled persons