



Brand Performance Check

Heigo Nederland B.V.

August 2013

This report covers the evaluation period
01/2012 - 12/2012

About the Brand Performance Check

Fair Wear Foundation believes that improving conditions for apparel factory workers requires change at multiple levels. Traditional efforts to improve conditions focus primarily on the factory. FWF, however, believes that the management decisions of the clothing brands have an enormous influence for good or ill on factory conditions.

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's affiliate members. The Checks examine how affiliate management systems support FWF's Code of Labour Practices.

In most apparel supply chains, clothing brands do not own factories, and most factories work for many different brands. This means that in most cases FWF affiliates have influence, but not direct control, over working conditions. As a result, the Brand Performance Checks focus primarily on verifying the efforts of affiliates. Outcomes at the factory level are assessed via audits and complaint reports, however the complexity of the supply chains means that even the best efforts of FWF affiliates cannot guarantee results.

Even if outcomes at the factory level cannot be guaranteed, the importance of good management practices by affiliates cannot be understated. Even one concerned customer at a factory can have significant positive impacts on a range of issues like health and safety conditions or freedom of association. And if one customer at a factory can demonstrate that improvements are possible, other customers no longer have an excuse not to act. The development and sharing of these types of best practices has long been a core part of FWF's work.

Improvement of supply chains is a step-by-step process, through which affiliates must address many different issues. FWF affiliates vary greatly in management structures, and have different strengths. The Performance Benchmarking system is designed to reflect these differences, and the many different ways that a company can support better working conditions.

During the Brand Performance Check, FWF staff speak to various employees at the affiliate who have important roles to play in the management of supply chains. FWF verifies the actions of affiliates based on several sources including documentation of activities, financial records, the affiliate's supplier register and staff interviews. Following the Brand Performance Check, FWF summarizes findings in this report, which is made public via www.fairwear.org. The FWF Performance Benchmarking Guide provides more information about the indicators and is available for download.

Brand Performance Check Details

Date of Brand Performance Check	29-5-2013	
Conducted by:	Margreet Vrieling Kees Gootjes	
Interviews With:	Dennis van Aalten Johan Peters Piet Goossens	Head Internal Affairs Purchasing Director

Scoring

Affiliate Benchmarking scores and Performance Benchmarking categories will be published starting in 2014. During 2013, FWF will be testing out the new system and evaluating the appropriate threshold levels for Benchmarking categories.

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2013 Brand Performance Check

Affiliate Information		
Headquarters:	Elst	Netherlands
Member Since:	September	2005
Product Types:	Fashion, Sportwear, Outdoor, Workwear, Promotional, Private Label, Bags & Accessories	
Production countries:	FWF Active Countries: Bulgaria, China, India, Poland, Portugal, Turkey Other countries: Pakistan, Netherlands	
Basic Requirements		
Workplan for this evaluation period was submitted?	Yes	Must be submitted before start of evaluation period
Projected supplier register for this evaluation was submitted?	Yes	Must be submitted before start of evaluation period
Actual supplier register for this evaluation period has been submitted?	Yes	Must be submitted after the end of the evaluation period.
Membership fee has been paid?	Yes	
All suppliers have been notified of FWF membership?	Yes	
Scoring Overview		
% of suppliers under monitoring	79%	

Summary

Heigo has 1 very important supplier that is audited regularly and CAPs are followed up in a timely manner. It does not audit its other suppliers (regularly). This needs to be addressed. Heigo works hard to make its external suppliers aware of its FWF membership and tries to increase its purchases at FWF member brands.

There are a number of issues with regards to Training, Complaints Handling and Communication. These issues are detailed in the report below.

Purchasing Practices

Basic Measures		Comments
% of production in low-risk countries	9%	Countries with relatively low risk of labour violations as defined by FWF.

Performance Indicators	Result	Relevance of Indicator	Documentation
1.1 Percentage of production volume from suppliers where affiliate buys at least 10% of production capacity.	81%	Affiliates with less than 10% of a factories' production capacity generally have limited influence on factory managers to make changes.	Supplier register provided by affiliate.
1.2 Percentage of production volume from suppliers where a business relationship has existed for at least five years.	95%	Stable business relationships support most aspects of the Code of Labour Practices, and give factories a reason to invest in improving working conditions.	Supplier register provided by affiliate.
	Comment: It is more than 95%, exact percentage is unclear.		
1.3 Labour conditions are considered when selecting new suppliers.	Yes	Including labour conditions considerations in selecting suppliers supports responsible business practices.	Documentation of decisionmaking process; e.g. checklists for buyers, emails, etc.
	Comment: Heigo indicates that supplier selection strategy is geared towards maintaining existing suppliers and it does consider labour conditions in selection.		
1.4 All new suppliers are required to sign and return the Code of Labour Practices before first orders are placed.	Yes	The CoLP is the foundation of all work between factories and brands, and the first step in developing a commitment to improvements.	Signed CoLPs are on file.
	Comment: Heigo was able to show that all suppliers have signed CoLP.		
1.5 Company conducts audits at all new suppliers before placing orders.	No	An important due diligence step. Before placing production orders, affiliates should conduct an audit at all new suppliers to assess risks for CoLP violations.	Audit documentation; must meet FWF audit quality standards.

	Comment: Heigo does not pre-audit its new suppliers and also does not visit them.		
1.6 Affiliate sources from an FWF factory member.	No	When possible, FWF encourages affiliates to source from FWF factory members. The small number of factories in the programme means sourcing from FWF factory members cannot be a requirement.	Supplier register provided by affiliate.
	Comment: Heigo is actively looking into the option of sourcing at FWF member factories.		
1.7 Percentage of production volume from factories owned by the affiliate.	79%	Owning a supplier provides clear accountability for and direct influence over working conditions. It reduces the risk of unexpected CoLP violations.	Supplier register provided by affiliate.
	Comment: Heigo owns a factory in Bulgaria.		
1.8 Supplier compliance with Code of Labour Practices is evaluated in a systemic manner.	Yes	A systemic approach is required to integrate social compliance into normal business processes, and supports good decisionmaking.	Documentation of systemic approach: rating systems, checklists, databases, etc.
	Comment: Heigo visits the largest supplier at least 4 times a year and relies on word of mouth and existing audits for the other factories. It does not reward suppliers for labour conditions performance improvement.		
1.9 The affiliate's production planning systems support reasonable working hours.	Yes	Affiliate production planning systems can have a significant impact on the levels of excessive overtime at factories.	Documentation of robust planning systems.
	Comment: Heigo is able to plan the production using a lead time of 3-4 months. If there is some sort of production issue, this can be addressed in a timely manner. It also works to provide as much external production to FWF members as possible.		
1.10 Percentage of production volume from suppliers where excessive overtime is found by FWF.	N/A	Excessive overtime is one of the most common labour rights violations in high-risk production countries. It is often caused by poor production planning by brands.	Audits conducted by FWF auditors; Complaints filed via the FWF worker helpline.
	Comment: No audits were conducted in 2012. 2010 Hepag audit did not reveal any issues with excessive overtime.		
1.11 Degree to which affiliate analyses and mitigates root causes of excessive overtime.	4	Affiliate production planning systems can have a significant impact on the levels of excessive overtime at factories.	Examples of root cause analyses and resulting changes in production planning/policy.
	Comment: Heigo works closely with its own (main) supplier to ensure that reasonable hours are worked. Recommendation: Heigo is encouraged to assess level of overtime at its other suppliers (eg. through a FWF audit).		

<p>1.12 Affiliate’s pricing policy allows for payment of at least the legal minimum wages in production countries.</p>	<p>Yes</p>	<p>The first step towards ensuring the payment of minimum wages - and towards implementation of living wages - is to know the labour costs of garments.</p>	<p>Formal systems to calculate labour costs on per-product or country/city level.</p>
<p>Comment: It does know the full labour costs for its own factory, but not for the other factories.</p>			
<p>1.13 Affiliate actively responds if suppliers fail to pay legal minimum wages.</p>	<p>Yes</p>	<p>If a supplier fails to pay minimum wage, FWF affiliates are expected to hold management of the supplier accountable for respecting local labour law.</p>	<p>Complaint reports, CAPs, additional emails, FWF audit reports or other documents that show minimum wage issue is reported/resolved.</p>
<p>Comment: Subsequent documentation show that Heigo followed up on the CAP, also related to payment of legal minimum wages.</p>			
<p>1.14 Evidence of late payments to suppliers by affiliate.</p>	<p>No</p>	<p>Late payments to suppliers can have a negative impact on factories and their ability to pay workers on time. Most garment workers have minimal savings, and even a brief delay in payments can cause serious problems.</p>	<p>Based on a complaint or audit report; review of factory and affiliate financial documents.</p>
<p>1.15 Degree to which affiliate assesses root causes of wages lower than living wages with suppliers.</p>	<p>Basic approach</p>	<p>Sustained progress towards living wages requires adjustments to affiliates’ policies.</p>	<p>Wage ladders, correspondance with supplier, other relevant documentation.</p>
<p>Comment: Affiliate discusses wage ladders with suppliers as part of the CAP follow up process.</p>			

Purchasing Practices Comments:

Heigo has an effective purchasing practice where the vast majority of production is monitored in a thorough manner. This is due to the fact that almost 80% of its production takes place at its own factory.

Monitoring & Remediation

Basic Measures		Comments
% of own production under monitoring	79% (+ 8.7% of production in low-risk countries that currently is not monitored properly)	Measured as a percentage of turnover.
Minimum monitoring threshold based on years of membership:	90% (does not meet threshold)	1 year: 40%; 2 years 60%; 3 years+: 90%

Performance Indicators	Result	Relevance of Indicator	Documentation
2.1 Specific staff person is designated to follow up on problems identified by monitoring system.	Yes	Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis.	Manuals, emails, etc., demonstrating who the designated staff person is.
	<p>Comment: Heigo has the vast majority of its own production in factories in low-risk countries and/or in its own factory. This means that Heigo is able to monitor its production effectively for the majority of its production. 12% of its production, however, takes place in factories that are not visited or monitored (besides having them sign the CoLP). This is a concern for FWF.</p> <p>Recommendation: Heigo needs to monitor the conditions in those factories.</p>		
2.2 Degree of progress towards resolution of existing Corrective Action Plans.	In-depth effort is made to address most or all CAPs.	FWF considers efforts to resolve CAPs to be one of the most important things that affiliates can do towards improving working conditions.	Documentation of remediation and followup actions taken by affiliate
	<p>Comment: Heigo was able to show evidence that it followed up on the CAP of its most important supplier.</p>		
2.3 Percentage of production volume from suppliers that have been visited by the affiliate in the past financial year.	79%	Formal audits should be augmented by annual visits by affiliate staff or local representatives. They reinforce to factory managers that affiliates are serious about implementing the Code of Labour Practices.	Affiliates should document all factory visits with at least the date and name of the visitor.
	<p>Comment: As mentioned above, Heigo regularly visits the factory responsible for 79% of its production.</p>		

<p>2.4 Existing audit reports are collected.</p>	<p>Yes</p>	<p>Existing reports form a basis for understanding the issues and strengths of a supplier, and reduces duplicative work.</p>	<p>Audit reports are on file; evidence of followup on prior CAPs.</p>
<p>Comment: Heigo collected a WRAP report for one of its factories.</p>			
<p>2.5 Audit Report and Corrective Action Plan (CAP) findings are shared with factory. Improvement timelines are established in a timely manner.</p>	<p>Yes</p>	<p>FWF audit reports should be shared and discussed with suppliers within two months of audit receipt. Timely sharing of information and agreement on corrective actions is essential for improvement. A reasonable time frame should be specified for resolving findings.</p>	<p>Corrective Action Plans, emails; findings of followup audits; brand representative present during audit exit meeting, etc.</p>
<p>Comment: Documentation of CAP follow-up shows that Heigo followed up in a timely manner.</p>			
<p>2.6 A structured approach is used to address issues that occur at multiple suppliers.</p>	<p>No</p>	<p>Issues that occur in multiple factories often need to be addressed in a systemic manner, especially when the root causes are located in brand management choices.</p>	<p>Documentation of a systemic approach: root cause analyses, productivity assessments, guidance documents, internal system changes, etc.</p>
<p>Comment: Besides its own factory, Heigo does not address labour conditions at the other factories.</p>			
<p>2.7 Affiliate cooperates with other customers in resolving corrective actions at shared suppliers.</p>	<p>N/A</p>	<p>Cooperation between customers increases leverage and chances of successful outcomes. Cooperation also reduces the changes of a factory having to conduct multiple Corrective Action Plans about the same issue with multiple customers.</p>	<p>Shared CAPs, evidence of cooperation with other customers.</p>
<p>2.8 Monitoring requirements are fulfilled for production in low-risk countries.</p>	<p>No</p>	<p>Low risk countries are determined by the presence and proper functioning of institutions which can guarantee compliance with basic standards.</p>	<p>Documentation of visits, notification of suppliers of FWF membership; posting of worker information sheets, completed questionnaires.</p>
<p>Comment: Heigo does not have a record of the posting of WIS, and does not visit the factories. Requirement: Heigo must fulfil the monitoring requirements for production in low-risk countries (Poland, Portugal) by ensuring that WIS are posted.</p>			

<p>2.9 External brands resold by the affiliate who have completed and returned the external brand questionnaire. (% of external sales volume)</p>	<p>93%</p>	<p>FWF believes it is important for affiliates that have a retail/wholesale arm to at least know if the brands they resell are members of FWF or a similar organisation, and in which countries those brands produce goods.</p>	<p>Questionnaires are on file.</p>
<p>Comment: More than 93% of external brands resold by affiliate have signed external brand questionnaire or are FWF members.</p>			
<p>2.10 External brands resold by affiliates that are members of another credible initiative. (% of external sales volume)</p>	<p>12%</p>	<p>FWF believes affiliates who resell products should be rewarded for choosing to stock external brands who also take their supply chain responsibilities seriously.</p>	<p>Supplier register; Documentation of sales volumes of products made by FWF or FLA members.</p>
<p>Comment: Approximately 12% of external production is sourced from FWF/FLA members.</p>			

Monitoring Comments:

For the unaudited 12% of its production taking place in high-risk countries, Heigo has gotten all the suppliers to sign the CoLP. It has also gotten a significant number of its most important external production suppliers to sign the CoLP and also tries to direct its orders to fellow FWF members.

Heigo, however, continues to lie just below the 90% monitoring threshold required. Although it does have a WRAP-certificate (not the full report) for one of its suppliers, no guarantee can be made that this audit meets the audit quality standard of FWF.

Recommendation: FWF recommends that Heigo audit another factory in 2013 to ensure that it achieves the required 90% threshold.

Complaints Handling

Basic Measures		Comments
Number of worker complaints received since last check.	0	At this point, FWF considers a high number of complaints as a positive indicator, as it shows that workers are aware of and making use of the complaints system.
Number of worker complaints in process of being resolved.		
Number of worker complaints resolved since last check.		

Performance Indicators	Result	Relevance of Indicator	Documentation
3.1 A specific employee has been designated to address worker complaints.	Yes	Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis.	Manuals, emails, etc., demonstrating who the designated staff person is.
	Comment: The Head Internal Affairs has been designated to address worker complaints.		
3.2 System exists to check that the Worker Information Sheet is posted in factories.	No	The Worker Information Sheet is a key first step in alerting workers to their rights.	Photos by company staff, audit reports, checklists from factory visits, etc.
	Comment: During the BPC, it became clear that Heigo does not have a system in place to ensure that the WIS are posted at suppliers. Recommendation: Heigo should set up a system to check if WIS are posted at all suppliers.		
3.3 Percentage of audited factories where at least half of workers are aware of the FWF worker helpline.	N/A	The FWF complaints procedure is a crucial element of verification. If factory-based complaint systems do not exist or do not work, the FWF worker helpline allows workers to ask questions about their rights and file complaints.	Percentage of audited factories where at least 50% of interviewed workers indicate awareness of the FWF complaints mechanism.
	Comment: No audits were conducted in 2012.		

<p>3.4 All complaints received from factory workers are addressed in accordance with the FWF Complaints Procedure.</p>	<p>N/A</p>	<p>Involvement by the FWF affiliate is crucial in resolving a complaint at a supplier.</p>	<p>Documentation that affiliate has completed all required steps in the complaints handling process.</p>
<p>3.5 Cooperation with other customers in addressing worker complaints at shared suppliers</p>	<p>N/A</p>	<p>Because most factories supply several customers with products, involvement of other customers by the FWF affiliate can be critical in resolving a complaint at a supplier.</p>	<p>Documentation of joint efforts, e.g. emails, sharing of complaint data, etc.</p>

Complaints Comments

Heigo does have a complaints system in place, but this has never been made use of employees of Heigo's suppliers.

Recommendation: Because no complaints have been received and 2012 audit showed that workers were unaware of complaints procedure, Heigo is recommended to provide training for workers at their own factory on their rights and the complaints procedure.

Training & Capacity Building

Performance Indicators	Result	Relevance of Indicator	Documentation
4.1 Staff at affiliate is made aware of FWF membership requirements.	Yes	Preventing and remediating problems often requires the involvement of many different departments; making all staff aware of FWF membership requirements helps to support cross-departmental collaboration when needed.	Emails, trainings, presentation, newsletters, etc.
	Comment: Heigo should set up a system to check if WIS are posted at all suppliers. Heigo was able to show that it had recently held a presentation to all its staff about FWF membership and all that it entails.		
4.2 Advanced training is provided to staff in direct contact with suppliers on CoLP requirements.	Yes	Sourcing, purchasing and CSR staff at a minimum should possess the knowledge necessary to implement FWF requirements and advocate for change within their organisations.	FWF Seminars or equivalent trainings provided; presentations, curricula, etc.
	Comment: It became clear during the BPC that most relevant staff were aware of FWF membership and all that it entails.		
4.3 Agents are informed of CoLP requirements and act to support their implementation.	Yes	Agents have the potential to either support or disrupt CoLP implementation. It is the responsibility of affiliate to ensure agents actively support the implementation of the CoLP.	Correspondence with agents, trainings for agents, FWF audit findings.
	Comment: Even though it does not work very often with agents, Heigo indicates in its social report/workplan that it informs its agents about CoLP and FWF membership.		
4.4 Factory participation in Workplace Education Programme (where WEP is offered; by production volume).	N/A	Lack of knowledge on best practices related to labour standards is a common issue in factories. Good quality training of workers and managers is a key step towards sustainable improvements.	Documentation of relevant trainings; participation in Workplace Education Programme.
4.5 Factory participation in trainings (where WEP is not offered; by production volume).	0%	In areas where the Workplace Education Programme is not yet offered, affiliates may arrange trainings on their own. Trainings must meet FWF quality standards to receive credit for this indicator.	Curricula, other documentation of training content, participation and outcomes.

Comment: No timeframe has been established to provide training.

Recommendation: FWF recommends that Heigo provides training to factory workers at its largest factory. This is especially important as the most recent audit indicated that workers were unaware of their rights and the complaints mechanism.

Training & Capacity Building Comments

Heigo staff seem to be well-informed about FWF membership. FWF encourages Heigo to continue to periodically inform and include staff when it comes to FWF membership.

Information Management

Performance Indicators	Result	Relevance of Indicator	Documentation
5.1 Supplier register for the previous financial year is verified as being complete and accurate.	Yes	Any improvements to supply chains require affiliates to first know all of their suppliers.	Completed supplier register; Financial records of previous financial year.
5.2 A system exists to allow purchasing, CSR and other relevant staff to share information with each other about working conditions at suppliers.	No	CSR, purchasing and other staff who interact with suppliers need to be able to share information in order to establish a coherent and effective strategy for improvements.	Internal information system; status CAPs, reports of meetings of purchasing/CSR; systematic way of storing information.
Comment: There does not seem to be a system for staff to share information about working conditions at suppliers other than ensuring that CoLP are signed.			

Information Management Comments:

Transparency

Performance Indicators	Result	Relevance of Indicator	Documentation
6.1 Communication about FWF membership adheres to the FWF communications policy.	No	FWF membership should be communicated in a clear and accurate manner. FWF guidelines are designed to prevent misleading claims.	Logo is placed on website; other communications in line with policy. Affiliates may lose points if there is evidence that they did not comply with the communications policy.
	<p>Comment: Heigo has published incorrect information about FWF membership and the guarantee that it provides on various folders/brochures, etc.</p> <p>Requirement: Heigo must ensure that all future communication on website/folders/brochures is in accordance with FWF communication guidelines.</p>		
6.2 Affiliate engages in advanced reporting activities.	No	Good reporting by members helps to ensure the transparency of FWF's work and shares best practices with the industry.	Affiliate publishes one or more of the following on their website: Brand Performance Check, Audit Reports, Supplier List.
	<p>Comment: FWF was unable to find advanced reporting on the website, and on Varna Confectia website FWF membership is (somewhat) incorrectly reported on.</p> <p>Recommendation: Heigo is recommended to publish 2012 Social Report on its website.</p>		
6.3 Social Report is submitted to FWF and is published on affiliate's website	Complete report submitted to FWF.	The Social Report is an important tool for brands to transparently share their efforts with stakeholders.	Report adheres to FWF guidelines for Social Report content.
	<p>Comment: Social Report was submitted to FWF but was not published on affiliate's website.</p>		

Transparency Comments:

FWF has identified a number of issues with regards to communication of FWF membership. See recommendations/requirements above.

Evaluation

Performance Indicators	Result	Relevance of Indicator	Documentation
7.1 Systemic annual evaluation of FWF membership is conducted with involvement of top management.	Yes	An annual evaluation involving top management ensures that FWF policies are integrated into the structure of the company.	Meeting minutes, verbal reporting, Powerpoints, etc.
Comment: FWF membership is discussed and carried at the highest level of the organization.			
7.2 Percentage of required changes from previous Brand Performance Check implemented by affiliate.	N/A	In each Brand Performance Check report, FWF may include requirements for changes to management practices. Adherence to these requirements is an important part of FWF membership.	Affiliate should show documentation related to the specific requirements made in the previous Brand Performance Check.

Evaluation Comments:

Comments to FWF

This area provides an opportunity for affiliates to provide feedback to FWF.