



Management system audit report

Buttonboss BV

July 2011

FWF member since: 1-3-2006

Sources of information

Interview with Robin Vogel (Director)

Interview with Jeroen Boogman (Sales Manager)

Annual report and work plan

Archived documents

Database FWF

Audit conducted by:

Ivo Spauwen



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1. Introduction

In July 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Buttonboss BV (hereafter: Buttonboss). The MSA is a tool for FWF to verify that Buttonboss 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 2011. FWF tailored the MSA to the specifics of the management system of Buttonboss in order to assess the key issues of interest. During the MSA, employees of Buttonboss 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 Buttonboss 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 Buttonboss that have been identified as key areas of interest for 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 Buttonboss to include information from the MSA report in its social report.

2. Executive summary

Buttonboss is in process of implementing FWFs management system requirements.

In 2010 Buttonboss placed orders at 3 factories where caps are produced. In addition Buttonboss works with an external supplier which delivers readymade clothing from its catalogue. Buttonboss maintains a business relation for more than 20 years with one of its suppliers which accounted for 91% of its total purchasing volume in 2010. The relationship with the other suppliers was relatively short. Buttonboss has limited leverage as a customer at its suppliers.

During the MSA Buttonboss could show that implementation of FWF membership is part of the process of selecting new suppliers. As a result of high price volatility for specific items prices are negotiated between Buttonboss and suppliers per order. Purchasing staff of Buttonboss determines on the basis of compared price quotations from various suppliers where orders are placed. Staff of Buttonboss that places orders at suppliers is not informed about results from audits at factories regarding wage levels or working hours.

Factories that have been audited on behalf of Buttonboss in China by making use of local FWF audit teams represent 96% of its 2010 purchasing volume for caps. Of the remaining supplier Buttonboss collected an existing report from a previous audit that was carried out on behalf of other customers. Buttonboss meets the threshold of 90% which is required on the basis of the duration of its FWF membership. Regarding a fourth supplier with whom Buttonboss will start working in 2011 a report was collected of an audit on the basis of the factory was SA8000 certified. Corrective action plans (CAPs) resulting from conducted audits are discussed and agreed upon with suppliers.

During one audit in China (2011) FWF audit teams found that workers in one factory where caps are produced for Buttonboss did pay all workers the legal minimum wage. All three audits carried out at suppliers of Buttonboss in China (2008-2011) indicated that overtime work was not paid according to local requirements, and that excessive overtime was found up to 64 hours / week.

Buttonboss has a workflow in place to monitor that the Code of Labour Practices including the contact details of FWFs local complaints handlers is posted in factories where clothing is made. During a factory audit in May 2011 FWFs audit team in China found that a translated copy the Code of Labour Practices including the contact details of FWFs local complaints handlers had been posted in the work place. In 2010 FWF received no complaints from workers employed in factories producing for Buttonboss.

Staff of Buttonboss is sufficiently informed about FWF membership and steps taken for the implementation of the Code of Labour Practices. Suppliers are generally informed about FWF membership and the implementation of the Code of Labour Practices. The company does not engage with local stakeholders in production countries to improve social dialogue on factory level.

Buttonboss submitted its 2010 annual social report to FWF but has not made it public on its website.

3. Positive findings

Conclusions

1. Staff of Buttonboss is sufficiently informed about FWF membership and steps taken for the implementation of the Code of Labour Practices. In May 2011 Buttonboss arranged an internal presentation that included a presentation by FWF.

4. Sourcing

Conclusions

1. Buttonboss has no written policy which describes its purchasing practices. In practice, working conditions and the willingness of suppliers to cooperate on improvements are criteria in the selection of new suppliers.

2. In 2010 Buttonboss placed orders at 3 factories where caps are produced. In addition Buttonboss works with an external supplier which delivers readymade clothing from its catalogue. Buttonboss maintains a business relation for more than 20 years with one of its suppliers which accounted for 91% of its total purchasing volume in 2010. The relationship with the other suppliers was relatively short (one to four years). 5% of the volume came from a supplier with whom a relationship existed for less than a year. Buttonboss has limited leverage as a customer at its suppliers. Buttonboss does not work with factories based in low risk countries.

3. Implementation of FWF membership is part of the process of selecting new suppliers. After shortlisting suppliers on the basis of prices, service and communication basic information about factories is gathered. As a next step suppliers are requested to complete the FWF questionnaire. Next the director and sales manager of Buttonboss visit candidate suppliers. During these meetings the implications of Buttonboss' FWF membership are discussed. After placing initial orders Buttonboss requests a copy of existing audit reports.

4. As a result of high price volatility for specific items prices are negotiated between Buttonboss and suppliers per order. Purchasing staff of Buttonboss determines on the basis of compared price quotations from various suppliers where orders are placed.

5. General delivery times are agreed between Buttonboss and suppliers in a service level agreement. Buttonboss allows suppliers as much flexibility as possible on items for stock production to save transport cost. In case of custom made orders, lead times may be shortened depending on customer requirements. After audits pointed out that excessive overtime was found in factories, Buttonboss improved its internal system for order forecasts towards suppliers.

6. During one audit in China (2011) FWF audit teams found that workers in one factory where caps are produced for Buttonboss did pay all workers the legal minimum wage. All three audits carried out at suppliers of Buttonboss in China (2008-2011) indicated that overtime work was not paid according to local requirements, and that excessive overtime was found up to 64 hours / week.

7. Staff of Buttonboss that places orders at suppliers is not informed about results from audits at factories regarding wage levels or working hours.

Recommendations

4-7. FWF recommends Buttonboss to assess possibilities to enter a mutual commitment with suppliers to implement living wages. An assessment could be done together with key suppliers and if possible other important buyers. In this discussion the FWF wage ladder tool can be used. One possible solution is to agree to a higher price conditioned to the increase of the regular wages for the workers. On request FWF can share expertise to help the involved parties define a practical framework for such an agreement.

5. Coherent system for monitoring and remediation

Conclusions

1. Factories that have been audited on behalf of Buttonboss in China by making use of local FWF audit teams represent 96% of its 2010 purchasing volume for caps. Of the remaining supplier Buttonboss collected an existing report from a previous audit that was carried out on behalf of other customers. Buttonboss meets the threshold of 90% which is required on the basis of the duration of its FWF membership.
2. Corrective action plans (CAPs) resulting from conducted audits are discussed and agreed upon with suppliers. Buttonboss follows up on corrective action plans through annual visits through factories by its director and sales manager. In addition follow up on corrective action plans is a subject during ongoing email contact. Discussions on prices or product quality generally prevail over follow up of CAPs. In case of the supplier that was audited in 2006 and 2008 follow up of the corrective action plan was put on hold as the supplier established a new production unit where caps are produced for Buttonboss.
3. Regarding a fourth supplier with whom Buttonboss will start working in 2011 a report was collected of an audit on the basis of the factory was SA8000 certified.
4. Buttonboss has sent a message to its only external supplier of clothing to encourage them to join FWF or another multi-stakeholder initiative.
5. Buttonboss does not actively cooperate with other customers of manufacturers regarding the process of monitoring follow up on corrective action plans. Buttonboss has its main supplier in common with another FWF affiliate member; however this company has not actively followed up on the existing CAP.

Recommendations

1-2. Considering that audit reports count towards the monitoring threshold for 3 years FWF recommends carrying out a new audit at the main supplier of caps in 2011-2012. This enables Buttonboss to stay aware of developments in the factory after the internal changes that occurred at its supplier.

5. Regarding the above mentioned audit FWF recommends to seek active cooperation with other customers. FWF actively facilitates cooperation between affiliate members sourcing from shared suppliers. If 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.

6. Complaints procedure

Conclusions

1. Buttonboss has a designated person to handle complaints of workers.
2. Buttonboss has a workflow in place to monitor that the Code of Labour Practices including the contact details of FWFs local complaints handlers is posted in factories where clothing is made.
3. During a factory audit in May 2011 FWFs audit team in China found that a translated copy the Code of Labour Practices including the contact details of FWFs local complaints handlers had been posted in the work place.
4. In 2010 FWF received no complaints from workers employed in factories producing for Buttonboss.

Recommendations

2. It is recommended that Buttonboss staff check if the Code of Labour Practices is posted in an area which is freely accessible to workers during factory visits. It is of added value to make pictures during visits.

7. Improvement of labour conditions

Conclusions

1. The audits carried out on behalf of Buttonboss (2006) and FWF (2009) at the main supplier of Buttonboss pointed out the following: Several improvements in working conditions had been realised following previous audits by Buttonboss BV: The factory had strengthened its policies and practices on prevention of child labour. The factory had appointed a designated person to improve working conditions at the factory and follow up on the corrective action plan resulting from the previous audit, as a result of which the factory systematically maintained documents, guidelines and procedures on human resources management and compliance with labour standards. The internal grievance procedure had been strengthened.

2. The audit on behalf of FWF also demonstrated several areas for further improvement at above mentioned supplier: Most importantly excessive overtime was found and working hours were not accurately recorded. Not all workers were paid the legally required premium for overtime work. A workers committee had been established in the factory, which however was found to be ineffective as workers were insufficiently aware of its existence. Workers do not obtain a copy of their contract. Further improvement issues were found with regard to fire safety, machine safety and first aid.

3. In its annual social report over 2010 Buttonboss reports on the state of affairs regarding follow up of the CAP with its main supplier (access [here](#)). FWF has not verified these improvements.

4. The audit at the second supplier carried out in 2011 indicated several areas for improvement: The factory needs to adopt clear systems and practices to ensure compliance with FWFs labour standards no discrimination, no child labour and no forced labour. The factory lacked functioning grievance procedures, and no measures had been taken to protect of workers' rights to freedom of association and collective bargaining. Not all workers were guaranteed the local legal minimum wage for the majority of workers were not paid at legal overtime rates and working hours were not properly recorded. Workers were not provided with one copy of the signed contract. Workers that chose to not enrol for the governmental social insurance scheme were not offered commercial accidental injury insurance.

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. This overview includes results of audits by FWF local audit teams. Results of audits by other initiatives are not summarized.

Recommendations

1-4. It is recommended to arrange additional factory trainings that aim at strengthening social dialogue on factory level. FWF is in contact with local NGOs active in both cities where both audited factories are located. NGOs could carry out trainings aiming at strengthening social dialogue between management and workers.

1-4. FWF recommends investigating to what extent it is of added value to hire a local service provider to support factories in the process of realising improvements. FWF recommends choosing this approach if the factory has demonstrated its commitment to make improvements. According to FWFs experience with other factories of similar size, a specialised consultant can help the factory to adopt new practices that increase productivity, decrease overtime usage and improve the quality of social dialogue between workers and management. FWF can make suggestions and provide references of credible service providers on request.

1-4. Buttonboss is expected to take an active role in discussing living wages with their suppliers. The FWF wage ladder can be used as a tool to implement living wages. Most relevant wages, such as local minimum wage, Asia floorwage, collective bargaining wage and industrial best practice wage are provided in the wage ladder. The wage ladder is included in FWF's audit reports. It demonstrates the gaps between workers' wages at a factory and living wages demanded by major local stakeholders. The wage ladder can be used to document, monitor, negotiate and evaluate improvements in wages at its suppliers.

8. Training and capacity building

Conclusions

1. Staff of Buttonboss is sufficiently informed about FWF membership and steps taken for the implementation of the Code of Labour Practices. In May 2011 Buttonboss arranged an internal presentation that included a presentation by FWF. The person overseeing FWF membership at Buttonboss participated in FWFs training program for member companies. Occasional meetings take place involving staff of the sales department.

2. Suppliers of Buttonboss are generally informed about FWF membership and the implementation of the Code of Labour Practices. During the process of selecting new suppliers this is done by discussing the implications of membership with suppliers and requesting them to complete the FWF questionnaire. All suppliers where orders are placed have returned the completed questionnaire. During the business relationship FWF membership is discussed during meetings with suppliers.

3. Buttonboss 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.

Recommendations

3. In audited factories the establishment of an independent workers committee is an area for improvement. At these factories it could be of added value to arrange a training aiming at improving social dialogue on the factory level. FWF could recommend organisations which would be able to carry out such trainings. A training programme is only of added value if Buttonboss maintains its long term relationship with this factory.

9. Information management

Conclusions

1. The supplier register of Buttonboss for 2010 meets the requirements of FWF. It lists all factories that manufacture clothing for Buttonboss including subcontractors. Review of purchasing records of Buttonboss points out that the percentages to indicate the importance of suppliers are not correct.
2. Buttonboss has a functioning workflow to keep its supplier register up to date.

Requirements

1. When submitting the supplier register with the annual work plan, correct volume percentages on suppliers must be included. These can be calculated on the basis of payments made during the previous financial year.

10. Transparency

Conclusions

1. Buttonboss informs the external public about its FWF membership through its website (Kingcap). In addition the company makes use of product hangtags and discusses the meaning of FWF membership during meetings with (potential) customers.
2. Buttonboss submitted its 2010 annual social report to FWF but has not made it public on its website.

Requirements

2. The annual social report must be posted on the corporate website of Buttonboss / Kingcap.

11. Management system evaluation and improvement

Conclusions

1. Buttonboss evaluates its FWF membership as part of ongoing discussions with suppliers and customers.

Recommendations

1. It is advised to carry out a formal evaluation at least on an annual basis to assess if the process of improving working conditions in factories is effective.

12. Basic requirements of FWF membership

Conclusions

1. Buttonboss BV meets the basic requirements of FWF membership for 2010: the membership fee has been paid and a work plan for 2010 was handed in.

13. Recommendations to FWF

Recommendations

Buttonboss would like FWF to strengthen its visibility regarding public procurement: decision makers at (semi)governmental organisations. These should be made more aware of the meaning of FWF membership.

Buttonboss would welcome a standard text that could be used to explain FWF membership to potential customers: traders in the promotional sector and buyers at (semi) government bodies.

Buttonboss is willing to share its view regarding the development of FWFs communication strategy and materials.

Improvement of labour conditions: summary of most important findings	Summary of most important findings from audit carried out in China in May 2011 on behalf of Buttonboss.
Workers interviews	Eight 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 conducted with workers during the visit to the factory. In addition, an hour-long meeting was held with 35 randomly selected workers of the factory.
Documentation	The factory did not record workers' working hours.
Sourcing practices (price, leadtime, quality requirements)	Most workers in the sewing, cutting, packing and embroidery department are paid less than the amounts believed to constitute a living wage by Chinese NGOs consulted by FWF.
Monitoring system of FWF member company	Factory management lacked a basic understandings of FWFs Code of Labour Practices.
Management system factory to improve labour standards	The factory had not established documentation systems on management of occupational health and safety.
Communication, consultation and grievance procedure	The factory had not established formal grievance procedures. Suggestions and complaints from the workers were not recorded.
Employment is freely chosen	The factory had not established practices and policies to ensure that forced labour does not occur.
No discrimination in employment	The factory had not established practices and policies to ensure that discrimination does not occur.
No exploitation of child labour	The factory had not established practices and policies to ensure that child labour does not occur and had not taken measures regarding employment of juvenile workers.
Freedom of Association and the Right to Collective Bargaining	Factory had not established written policy on protection of workers' right to freedom of association and collective bargaining.
Payment of a Living Wage	15 workers were not guaranteed the local legal minimum wage for March 2011. Roughly 70% workers were not paid at the legal overtime rates.
No excessive working hours	Maximum working hours for majority of workers in most of the weeks in March and April 2011 reached up to 63.5 hours per week; workers had two to three day-offs per month.
Occupational health and safety	No fire alarms installed in the new factory premises. Evacuation routes were not clearly indicated by two prominent lines painted on the floor. All sewing machines were not equipped with belt covers. High speed sewing machines were not equipped with eye-guards. There were no first-aid kits provided in the workshops. No employees had been formally trained in first aid.
Legally binding employment relationship	The factory had not signed contracts with all workers. Workers were not provided with one copy of the signed contract.

Improvement of labour conditions: summary of most important findings	Summary of most important findings from audit carried out in China in Oct 2008 on behalf of Buttonboss.	Summary of most important findings from audit (Nov 2009) on behalf of FWF to verify improvements in the same factory.
Workers interviews	10 workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises during their non-working hours. In the factory short interviews were conducted with the workers on the shop floor on the days of the visit. In addition a 10-15 minute-long meeting was held with 20 randomly selected workers either individually or in small groups.	8 male and 18 female workers were interviewed prior to the date of the audit, outside the factory premises. Short interviews were conducted with 5 female workers on the shop floor on the days of the visit to the factory. 10 male and 6 female workers randomly selected in the factory were gathered together to fill out a questionnaire during which the FWF worker interviewer chatted with them one by one.
Documentation	Grievance registers, annual leave registers, working hours records, OT register, permit for juvenile workers, pay slips, were not available to the audit team during the audit process.	Not all overtime work (especially work in the evening) recorded in time records.
Sourcing practices (price, leadtime, quality requirements)	Not part of this audit.	Orders from Buttonboss have decreased by 20% comparing to the total amount in 2008. At the same time, the order prices have decreased by 10% – 15%, while production costs have increased by 15%.
Monitoring system of FWF member company	Factory did not post FWF Code of Labor Practices within production area. Management and workers were not aware of FWF Code of Labor Practices and did not receive training on Code elements.	Factory received a copy of the report from previous FWF audit. FWF Code of Labour Practices posted in the factory. Workers are be reminded of the FWF Code of Labour Practices during departmental meetings however most workers not aware of the FWF Code of Labour Practices.
Management system factory to improve labour standards	Factory had not set up a system to monitor the status of social compliance for their subcontractor.	Factory appointed a designated person to improve documentation, CSR policies and practices and follow up on the corrective actions of the last audit. Factory has systematically kept documents on policies, guidelines and procedures on human resources management and compliance matters.
Communication, consultation and grievance procedure	Factory lacked a formal channel for consultation & communication.	Workers' complaints are filed. Management responses and follow up actions are also documented. Minutes from meetings of workers' representative committee are kept. Reports of filed worker's complaints are not publicized.
Employment is freely chosen	No non-compliances found.	Factory does not allow all workers to resign from the factory within 30 after written notice.
No discrimination in employment	No non-compliances found.	Factory only recruits workers below age of 36 and asks male workers' signature as means to guarantee good behaviour.
No exploitation of child labour	14 juvenile workers and 12 historical cases of juvenile workers identified. Juvenile workers not registered with local labour bureau. No proper records on juvenile workers.	No non-compliances found.
Freedom of Association and the Right to Collective Bargaining	The factory employs more than 50 workers however lacks an independent union or other structure for workers representation.	Workers are not aware of the existence of a workers' representatives or workers' representative committee. Names of worker representatives are not publicized in the factory, and no minutes or notices from the worker representative committee are found posted publicly in the factory.
Payment of a Living Wage	Between June - August 2008, a significant share of the workforce was paid less than the legal minimum wage for a regular working week. No OT premiums were paid to workers for overtime work. Factory did not provide a payslip to workers. Facility used monetary fines as disciplinary practice.	Not all workers are paid the legally required premium for overtime work.
No excessive working hours	Weekly rest day not guaranteed.	Total overtime in September was around 48 - 96 hours, exceeding the standards set by local legislation and the FWF Code of Labour Practices. Generally total working hours per week are around 52 - 64 hours. Weekly rest days are not guaranteed. Working hours are not accurately recorded.
Occupational health and safety	One evacuation exit of the second floor was blocked by sundries. 70% of the sewing machines were missing pulley guards. 4 fire extinguishers located on the second floor were blocked	There are no fire extinguishers in the dormitory. Several issues found with regard to machine safety. The factory has no trained persons on first aid.
Legally binding employment relationship	Majority of workers not covered by social insurance payments.	Workers do not obtain a copy of their contract.