



Management system audit report

Buttonboss BV

May 2010

FWF member since: 1-3-2006

Sources of information

- A: Database FWF
- B: Annual report and work plan
- C: Archived documents
- D: Robin Vogel (Director)

Audit conducted by:

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1. Introduction

In March 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Buttonboss BV. The MSA is a tool for FWF to verify that Buttonboss 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. FWF tailored the MSA to the specifics of the management system of Buttonboss BV in order to assess the key issues of interest. During the MSA, employees of Buttonboss 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, recommendations and an annex which includes detailed findings. 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 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 Buttonboss BV that have been identified as key areas of interest for year. 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 invites Buttonboss BV to comment on the content of the draft report within ten working days after receiving the draft report. Subsequently the report is made definitive.

FWF will publish the conclusions, requirements and recommendations of all MSAs on www.fairwear.org. The annex with detailed findings will remain confidential. FWF encourages Buttonboss BV to include information from the MSA report in its social report.



2. Executive summary

In 2009 Buttonboss placed approximately 95% of its total order volume at a single supplier in China, with which it has cooperated since 20 years. The remaining 5% of orders are placed at a second supplier. FWF finds that this sourcing model supports effective implementation of the Code of Labour Practices.

Since 2006 Buttonboss BV has monitored working conditions at its main supplier of caps, which is based in China. By means of audits Buttonboss BV monitored approximately 95% of its total 2009 purchasing volume.

Following each audit Buttonboss BV agrees on a corrective action plan with factory management within a short timeframe. The director of Buttonboss BV regularly visits the main supplier of the company. As a part of these visits, follow up of corrective action plans is discussed with factory management.

FWF carried out an audit at the main supplier of Buttonboss BV to verify improvements in working conditions. This audit pointed out that several improvements in working conditions had been realised following the audits carried out 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 corrective action plans by which the factory had systematically strengthened internal human resources management and compliance with labour standards. Several areas for further improvement were found as well. Most importantly excessive overtime was found and working hours are not accurately recorded. Not all workers are 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.

Buttonboss is presently assessing potential new suppliers. FWF recommends asking potential new suppliers to share existing audit reports with Buttonboss as a means to assess the level of working conditions in these factories.

At the time of publishing this report Buttonboss BV had not yet submitted an annual report on 2009. As per the requirements of FWF membership Buttonboss BV is expected to annually publish a social report which describes the results of its activities to improve working conditions in its supply chain.

3. Positive findings

Conclusions

1. In 2009 Buttonboss placed approximately 95% of its total order volume at a single supplier in China, with which it has cooperated since 20 years. The remaining 5% of orders are placed at a second supplier. This sourcing model supports effective implementation of the Code of Labour Practices.
2. Buttonboss BV agreed on a corrective action plan with factory management within a week after the last audit was carried out, which demonstrates that both parties are committed to the process of implementing the Code of Labour Practices.

4. Sourcing

Conclusions

1. In 2009 Buttonboss placed approximately 95% of its total order volume at a single supplier in China, with which it has cooperated since 20 years. The remaining 10% of orders are placed at a second supplier.
2. Prices and delivery times are agreed between Buttonboss BV and suppliers on an annual basis in a service level agreement.
3. Buttonboss is presently assessing potential new suppliers. Labour conditions in factories are not an important criterion in the process of selecting of new suppliers.

Recommendations

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

5. Coherent system for monitoring and remediation

Conclusions

1. Since 2006 Buttonboss BV has monitored working conditions in its supply chain for caps. In 2006 and 2008 an audit was carried at a cap producing factory in China, as a result of which Buttonboss BV has audited approximately 95% of its total 2009 purchasing volume.
2. Following each audit Buttonboss BV agrees on a corrective action plan with factory management.
3. The director of Buttonboss BV regularly visits the main supplier of the company. As a part of these visits, follow up of corrective action plans is discussed with factory management.

6. Complaints procedure

Conclusions

1. In December 2009 FWF received one complaint from workers of factories where clothing is produced for Buttonboss BV related to excessive overtime. As this factory had been audited in November 2009 and as excessive overtime was found during this audit, FWF agreed with Buttonboss BV that the reported problem would be prioritised in the process of following up on the corrective action plan with the factory. Buttonboss BV agreed to keep FWF informed about improvements on this specific issue. Late December 2009 Buttonboss BV discussed the complaint on excessive working hours with management of the factory during a visit. Management of the factory acknowledged that a problem existed with regard to excessive working hours in relation to rising cost of labour in Dongguan and high personnel turnover. Buttonboss BV informed FWF that

remediation regarding this issue problem will depend on continuation of its relationship with the supplier.

Recommendations

1. FWF encourages Buttonboss BV to avoid terminating business relationships with the involved factory as the company has made substantial efforts in the process of improving working conditions at this factory.

7. Improvement of labour conditions

Conclusions

1. The audit that was carried out on behalf of FWF in November 2009 at the main supplier of Buttonboss BV pointed out that 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: 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 May 2010 Buttonboss BV informed FWF that several improvement points from the corrective action plan that resulted from the above mentioned audit had been realised, including the following: improving practices to prevent discrimination, raising awareness among workers with regard to the existing workers committee; improvements with regard to fire & machine safety; providing all workers with a copy of their labour contract. FWF has not verified these improvements.

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.

Recommendations

2. FWF recommends Buttonboss BV in cooperation with its main supplier to investigate the root causes of excessive overtime if the business relationship is continued. It may be instrumental to ask factory management to conduct a root cause analysis on the factors causing 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). After this analysis, a practical 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 Buttonboss BV (and possibly its other clients), could help remediate this problem. If requested FWF is in the position to make further suggestions on the basis of expertise with similar factories which produce for other member companies. FWF could also provide references of credible service providers who could facilitate an assessment on working hours in the workplace.

8. Training and capacity building

Conclusions

1. Buttonboss 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. Buttonboss BV staff is sufficiently informed about FWF membership.

Recommendations

1. As the establishment of an independent workers committee is an area for improvement in the main factory producing caps for Buttonboss BV FWF recommends that Buttonboss BV facilitates a management and or worker training aiming at improving social dialogue on the factory level. FWF could recommend organisations which would be able to carry out such trainings. It should be noticed that such a training programme would only be of added value if Buttonboss BV maintains its long term relationship with this factory.

9. Information management

Conclusions

1. Buttonboss has submitted a complete supplier register to FWF.

10. Transparency

Conclusions

1. Buttonboss BV explains its commitment to FWF as an affiliate member in its 2008/2009 product catalogue and on its website.
2. The annual social report of 2008 is not posted on the website of Buttonboss BV. The social report of 2009 has not been received by FWF.

Requirements

2. As per the requirements of FWF membership Buttonboss BV is expected to annually publish a social report which describes the results of its activities to improve working conditions in its supply chain.

11. Management system evaluation and improvement

Conclusions

1. The process of implementing FWF membership is not evaluated as such. It is discussed ad hoc when necessary.

Recommendations

1. FWF recommends to evaluate at least once a year to which extent the current approach to improve working conditions is effective. The evaluation should at least assess which improvements were (not) successfully implemented in factories, to which extent communication with factories regarding follow up of corrective action plans goes smooth, and whether the current approach is cost efficient.

12. Basic requirements of FWF membership

Conclusions

1. Buttonboss BV meets the basic requirements of FWF membership for 2009: the membership fee has been paid and a work plan for 2009 was handed in.

13. Recommendations to FWF

Recommendations

1. The FWF website should refer to affiliates and ambassadors, not to brands. FWF should improve the way in which company logos are presented on its website.

| Improvement of labour conditions: summary of most important findings | Summary of most important findings from audit carried out in China in 2008 | Summary of most important findings from audit (Nov 2009) on behalf of FWF to verify improvements in the factory that was audited on behalf of Buttonboss in 2008. | Improvements reported by Buttonboss after factory visit (May 2010). FWF has not verified these improvements. |
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| 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. | N/A |
| 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. | Reported by Buttonboss (May 2010): Not completely done. |
| 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. | Reported by Buttonboss (May 2010): Done in March 2010 and will be done every year hereafter. |
| 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. | Reported by Buttonboss (May 2010): Done |
| Employment is freely chosen | No non-compliances found. | Factory does not allow all workers to resign from the factory within 30 after written notice. | Reported by Buttonboss (May 2010): Done. Everyone can leave within 30 days, however, some workers gave notice earlier but they were not forced to stay longer than they wanted. |
| 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. | Reported by Buttonboss (May 2010): Done |

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| 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. | Reported by Buttonboss (May 2010): will consider in 2010 |
| 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. | Reported by Buttonboss (May 2010): Not completely done. |
| 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. | Reported by Buttonboss (May 2010): Not completely done. |
| 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. | Reported by Buttonboss (May 2010): First aid training will be arranged before June. Most machines have been equipped with safety covers and needle shields. Fire extinguishers installed in dormitory. |
| Legally binding employment relationship | Majority of workers not covered by social insurance payments. | Workers do not obtain a copy of their contract. | Reported by Buttonboss (May 2010): Done. Some workers do not want to join social security because they find it too expensive or want the social security insurance in the province of origin |
| Special remarks | None. | None. | None. |