



Fair Wear Foundation

**Management system audit report**

**Heigo Nederland B.V.**

**3 December, 2009**

***FWF member since: 1 October 2005***

***Sources of information***

A: Database FWF

B: Annual report and work plan

C: Archived documents

D: Piet Goossens (General director)

E: Dennis van Aalten (CSR / contact person for FWF)

F: Johan Peters (Sourcing)

Audit conducted by:

Baldwin Beenackers



Fair Wear Foundation

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## 1. Introduction

In December, 2009 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Heigo Nederland B.V. The MSA is a tool for FWF to verify that Heigo Nederland 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 2009. FWF tailored the MSA to the specifics of the management system of Heigo Nederland B.V. in order to assess the key issues of interest. During the MSA, employees of Heigo Nederland B.V. 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 Heigo Nederland B.V. 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 Heigo Nederland B.V. 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 Heigo Nederland B.V. 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](http://www.fairwear.org). The annex with detailed findings will remain confidential. FWF encourages Heigo Nederland B.V. to include information from the MSA report in its social report.

## 2. Executive summary

Heigo Nederland B.V. is owner of the factory in Bulgaria from which they source the majority of their products. The factory has been audited by a local FWF audit team in 2006. Since then, Heigo monitors the situation regularly during visits done by the Director. FWF recommends Heigo to systematically collect monitoring outcomes and follow up on improvement processes. This will support the effective implementation of the Code of Labour Practices.

Planning for audits at other factories in order to correspond to the threshold of 90% of total turnover would also increase the effectiveness.

In terms of communication, Heigo could improve informing the public by publishing the annual social report and include progress made on improvements.

## 3. Positive findings

### *Conclusions*

1. Heigo is owner of the factory in Bulgaria, from which Heigo sources more than 50 % of its yearly total turnover. The sourcing relation exists for more than 8 years. This support the effective implementation of the Code of Labour Practices.

## 4. Sourcing

### *Conclusions*

1. More than 70% of Heigo's collection is sourced at 8 factories ("own production"). More than 70 % of that is done at Heigo's own factory in Bulgaria.
2. Among the different criteria for sourcing, labour conditions are taken into consideration at all its suppliers. Heigo's objective is to source from its own company in Bulgaria and only when no agreement on different terms is reached, Heigo sources at others with whom they have long relations.
3. In the process of price setting at their own factory in Bulgaria Heigo takes development of gross salaries in the country into account.

## 5. Coherent system for monitoring and remediation

### *Conclusions*

1. Heigo has monitored the factory in Bulgaria in 2006 by making use of the local FWF audit team. Other factories have not been audited. Heigo has audited 70% of its total purchasing volume of 2008.
2. Heigo does not have reports on monitoring activities, whether conducted by own staff or external audit teams, except for the FWF audit done in 2006.

**Requirements**

1. In order to fulfil the requirement of auditing 90 % of the total value of production commissioned (“own production”) since the start of membership, Heigo should audit other factories.

**Recommendations**

2. FWF recommends to Heigo to systematically collect audit reports. This increases knowledge and insight in labour conditions at Heigo’s suppliers and supports the effective implementation of the Code of Labour Practices.

**6. Complaints procedure**

**Conclusions**

1. It is not clear which person at Heigo is responsible for handling complaints from workers at factories.
2. It is not clear if complaints procedures exist at factories of suppliers.

**Requirements**

1. Heigo should indicate a person who is responsible for handling complaints, including follow up on corrective actions as according to FWF complaints procedure.

**Recommendations**

2. Heigo could encourage factory management to establish a well defined complaints procedure for their employees.

**7. Improvement of labour conditions**

**Conclusions**

1. The audit in 2006 at the factory in Bulgaria showed that the main points for improvement are related to the following areas: payment of a living wage, payment of overtime and occupational safety and health issues. Heigo has not reported which improvements have been realised after the audit. It is unknown to FWF what has been done to improve the situation afterwards. *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.*

**Requirements**

2. Heigo should document findings, improvements actions and the results.

## 8. Training and capacity building

**Conclusions**

1. Staff of Heigo has been informed about membership of FWF. Staff is periodically informed about developments related to the membership.
2. Staff with specific business functions related to purchasing of clothes have not been trained to plan audits and follow up on corrective action plans.

**Recommendations**

2. Staff involved in implementing activities related to the membership of FWF should be trained and informed on specific measures and outcomes of monitoring activities.

## 9. Information management

**Conclusions**

1. The register is not comprehensive on total value of sourced products (total of "own and external production").
3. From the different sources it is not clear who is responsible for maintaining the supplier register.

**Requirements**

2. Heigo should include all information on sourcing in the register, both for own production as well as external production.
3. Heigo should clearly indicate who is responsible for the activities on maintaining the register.

## 10. Transparency

### *Conclusions*

1. Heigo informs the public on FWF membership through her website. The text related to FWF membership is incorrect.
3. The annual social report has not been placed on Heigo's website.

### *Requirements*

2. Heigo should adapt the text available on her website about membership of FWF and the activities related to the membership.
3. Heigo should place the annual social report on her website.

## 11. Management system evaluation and improvement

### *Conclusions*

1. Heigo has not established a system for evaluating her activities related to FWF membership. There hardly exists documentation of specific activities and results on monitoring and improvement of labour conditions.

### *Recommendations*

1. Heigo should define a system of evaluating her activities in order to create better insight in the process of implementation of the Code of Labour Practices.

## 12. Basic requirements of FWF membership

### *Conclusions*

1. Heigo has paid membership fee for 2009
2. Heigo has not prepared a work plan for 2009 that has been approved.
3. Heigo has not been in time to submit an annual social report that was approved.

### *Requirements*

2. Heigo needs to draw up a work plan that can be approved in time.
3. Heigo should prepare an annual social report in time.



### 13. Recommendations to FWF

<i>Recommendations</i>
<ol style="list-style-type: none"><li>1. Heigo recommends to FWF to actively inform professionals in sourcing, specifically in governmental institutions, about FWF and its approach in improving labour conditions, in order to enhance the inclusion of fair labour conditions in selecting suppliers.</li><li>2. Heigo suggests to actively communicate with SenterNovem (institution that advises the government on business related issues, including supplier selection criteria) on fairwear criteria in selecting suppliers.</li></ol>



<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: Bulgaria</b>
	<b>Source: audit carried out by FWF team on behalf of Heigo on 2 and 3 June, 2006</b>
<b>Workers interviews</b>	9 workers were interviewed during working hours on the workfloor; 10 workers were interviewed during 30-40 minutes meetings separately from others.
<b>Documentation</b>	Documents that were not maintained include overtime register, grievances files, sickleave register, contracts with subcontractors
<b>Buyer-supplier relationship (duration)</b>	5 years
<b>Sourcing practices (price, leadtime, quality requirements)</b>	90% of production is for Heigo
<b>Monitoring system of FWF member company</b>	not part of this audit
<b>Management system factory to improve labour standards</b>	not part of this audit
<b>Communication, consultation and grievance procedure</b>	not part of this audit
<b>Employment is freely chosen</b>	no non-compliance found
<b>No discrimination in employment</b>	no non-compliance found
<b>No exploitation of child labour</b>	no non-compliance found
<b>Freedom of Association and the Right to Collective Bargaining</b>	no non-compliance found
<b>Payment of a Living Wage</b>	There are occasions of workers not being paid legal minimum wage while working full time; supplement documentation of salary increases up to required minimum wage are lacking; bonus system is not properly documented;
<b>No excessive working hours</b>	overtime is not paid at premium rate as law requires
<b>Occupational health and safety</b>	no written and posted OHS policy available; no OHS committee present; safety devices on equipment is lacking or has been removed; training on safety has not been conducted as required by law; there are no safety signs, no fire alarms and emergency exit lights; first aid kits are not freely available and do not contain all necessary materials
<b>Legally binding employment relationship</b>	no non-compliance found
<b>Special remarks</b>	none