



Fair Wear Foundation

Management system audit report

Pama International

23 April 2010

FWF member since: 1-11-2004

Sources of information

A: Database FWF

B: Annual report and work plan

C: Archived documents

D -H: (Wim Pama and Remco Schaper, respectively manager and sales manager, responded both all questions; they combine together responsibility for the issues FWF deals with in an MSA and are written for: General director/CSR / contact person for FWF/Sourcing/Communication/Sales)

Audit conducted by:

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1. Introduction

In April 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Pama International. The MSA is a tool for FWF to verify that Pama International 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 Pama International in order to assess the key issues of interest. During the MSA, employees of Pama international 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 Pama International 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 Pama International 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 Pama International 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 information will remain confidential. FWF encourages Pama International to include information from the MSA report in its social report.



2. Executive summary

Pama International is a member of FWF since 01-11-2004. Since then the company has been actively involved in labour issues in their supply chain. It is an important issue in their contacts with their suppliers and Pama International integrated social compliance in their buying practices. Furthermore they communicate on a positive way on FWF and their membership.

Pama International is a small company and does not have all procedures or policies on paper which describe their responsibility and actions towards social issues in their supply chain. In order to enhance transparency the challenge for improvement is to put the practice on paper.

Pama International has a longstanding relationship with their main suppliers in which they invest a lot of time. The most important supplier, in 2009 the only one, is from China. Next to that they have a supplier in Bangladesh. Through their long relationship and built confidence, Pama is a serious partner for the factory management in discussing the labour situation and compliance with the Fair Wear Code of Labour Practices.

In the former location of the Chinese factory Pama together with FWF stimulated the establishment of a trade union. When the factory moved to the new production location a worker representative has been elected again.

3. Positive findings

Conclusions
1. Pama International maintains a longstanding commercial relationship with the Chinese supplier, which it visits several times a year. Social compliance issues are always on the agenda of their meetings.
2. Pama International has positively contributed to the establishment of a trade Union in the factory in China.
3. Pama International communicates externally clear and on a positive way on their FWF membership.

4. Sourcing

Conclusions
1. Pama International has no written sourcing policy.
2. Pama International has one preferred main supplier where in 2009 all production was manufactured. With this supplier Pama International maintains a longstanding open relationship.
3. In case of necessary selection of new providers acceptance of the Fair Wear Code of Labour Practices is a requisite.
4. For the own brand Di Pama everything is being sourced at the factory of the preferred supplier. For the private label production the sourcing strategy can differ.

Recommendations
1. In order to enhance transparency FWF encourages Pama International to transfer



the common practice on sourcing and buying practices in a written policy, to which it can refer if needed with customers or consumers.

5. Coherent system for monitoring and remediation

<i>Conclusions</i>
<ol style="list-style-type: none">1. Monitoring is an ongoing process within Pama International without being established in fixed procedures. Yearly two or three times the factory is visited. During each visit compliance with the Code of Labour Practices is extensively discussed with the management.2. Pama International gives during each visit and through communication throughout the year follow up to the agreed corrective action plans during the verification audits done at the factory of the preferred supplier.3. Monitoring of the factory in Bangladesh has had less priority because no orders were placed last year and this year.4. The factory of the preferred supplier in China has been audited in 2009. This was the second audit done at that workplace. The supplier in Bangladesh has been audited in 2007. The threshold of 90% of the supply base to be monitored has been reached.

<i>Recommendations</i>
<ol style="list-style-type: none">3. When new orders are placed in the factory in Bangladesh a new audit can measure progress made during the past three years.

6. Complaints procedure

<i>Conclusions</i>
<ol style="list-style-type: none">1. Pama international has designated persons to handle complaints.2. No complaints have been received.

7. Improvement of labour conditions

<i>Conclusions</i>
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.

China

1. The factory was relocated. This meant a better situation on OSH issues than the former location. Due to the fact that the main production site was relocated the formerly established trade union did not function anymore. Recently a new worker representative has been elected on the new location. The relocation led to less attention to compliance improvements. Payment and overtime remain the difficult issues. Due to the piece rate system, workers are not properly paid for overtime and are not paid during statutory holidays. In the factory excessive overtime was found. A significant share of workers was not properly covered by the social insurance system.

Bangladesh

2. Due to the fact that for more than two years no orders were placed follow up on improvements in the factory in Bangladesh were given less priority.

Recommendations

1. Pama International will have to follow up on the activities of the new worker representative, to see whether the workers representation can work independently. Pama International could also consider facilitating factory trainings that aim at improving social dialogue on factory level. FWF can recommend organisations that could carry out factory trainings. With these trainings awareness can be stimulated on the Code of Labour Practices. Special worker trainings can be a good instrument to not only improve knowledge of workers of their rights but also stimulate organisation of some kind of worker representation.

Now the factory started production at its new location, further activities need to be realised in order to implement the CAP.
2. When Pama International considers again placing orders at the factory in Bangladesh an audit should be done to verify improvements after the former audit and agree on improvements needed.

8. Training and capacity building

Conclusions

1. Pama International is a small company which means that all persons are from the beginning involved in the FWF membership.

9. Information management

Conclusions

1. Due to its small size no information policy is developed. Both responsible persons receive all information and are involved in all activities related to FWF membership.
2. There is no formal procedure within Pama International to collect and register information on progress on the implementation of the Code of Labour practices.



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| 3. Plans, reports and communication are archived on a structural basis. |
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<i>Recommendations</i>

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| 2. In order to improve the management of the information a log book can be helpful to register chronological progress and agreements. |
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10. Transparency

<i>Conclusions</i>

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| 1. The annual report on 2009 has not been received on time |
| 2. Information on membership of FWF is published on the website of Pama International in correct wording. |
| 3. Pama International communicates its membership prominently on fairs or public events. |
| 4. Pama International uses hangtags for some customers, with a text in correct wording on FWF. |

<i>Recommendations</i>

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| 2. When available the annual report could be made available also on the own corporate website. |
| 3. The logo of FWF has to be updated |

11. Management system evaluation and improvement

<i>Conclusions</i>

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| 1. Due to its size Pama International has no special management system in place. Evaluation is an ongoing process. |
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<i>Recommendations</i>

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| 1. It is recommended to establish a designated moment once a year to evaluate FWF membership. |
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12. Basic requirements of FWF membership

Conclusions

1. Membership has been paid in time
2. The work plan for 2010 has been received
3. The annual report on 2009 has not been received on time.
4. Pama International meets the requirements for the threshold for the supply base.

Requirements

3. The annual report on 2009 to be handed in and published on website.

13. Recommendations to FWF

Recommendations

1. Pama International stresses the importance of personal contact with FWF staff.
2. For small companies the administrative weight should be considered when adapting formats.
3. To support companies on tackling the issue of piece rate wage system FWF could organize pilot on improving payment system, from piece rate to premium wage system.

	Factory: China	Factory: China
	Summary of most important findings of an audit on behalf of FWF in december 2005	Summary of most important findings of an audit on behalf of FWF in october 2009
Workers interviews		
Documentation		Several documents and registers are not available
Sourcing practices (price, leadtime, quality requirements)	not part of audit	Lead time of Pama International are relatively tight.
Monitoring system of FWF member company	not part of audit	No documented monitoring system is in place.
Management system factory to improve labour standards	not part of audit	Factory does not keep records of improvements.
Communication, consultation and grievance procedure	Subcontracters are not aware of Code of Labour Practices. No grievance system in place	Code of Labour Practices not visible in factory. No established grievance procedure.
Employment is freely chosen	Rules for resigning are not adequate	
No discrimination in employment	worker was fired because of illness	
No exploitation of child labour	registration for juvenile workers should be improved	
Freedom of Association and the Right to Collective Bargaining		When the factory moved, the former trade union was stopped. New worker representative needs to be elected.
Payment of a Living Wage	<ul style="list-style-type: none"> • Workers are not paid wages in accordance with the minimum requirements of the law for the 40 hours of the regular working week. • Workers are not paid overtime wages according to the requirements of the law. • Workers are not paid holiday wages according to the requirements of the law. • Workers do not have paid sick leave. • Workers lose wages as a result of fines. 	
No excessive working hours	workers don't have a day off at week/no registration of over time	Excessive overtime was found
Occupational health and safety	several issues were found which need improvement	Several osh needs for improvement were found

Legally binding employment relationship	not all workers have contact, files were incomplete	Not for all workers social insurances are paid.
Special remarks		New location

	Factory: Bangladesh
	Summary of most important findings of an audit on behalf of FWF in october 2007
Workers interviews	6 prior to audit, 10-12 during audit
Documentation	documents not properly maintained
Sourcing practices (price, leadtime, quality requirements)	not part of audit
Monitoring system of FWF member company	not part of audit
Management system factory to improve labour standards	not part of audit
Communication, consultation and grievance procedure	no awareness of Code of Labour Practices, workers rights and grievance procedure. No participatory committee as legally required found.
Employment is freely chosen	salary being paid is sometimes late
No discrimination in employment	maternity benefit not paid
No exploitation of child labour	age identification system not sufficient to verify age
Freedom of Association and the Right to Collective Bargaining	
Payment of a Living Wage	new minimum wage was introduced several months late



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No excessive working hours	overtime is not voluntary and not always duly paid
Occupational health and safety	several findings that need improvement
Legally binding employment relationship	workers did not receive contracts
Special remarks	