



## Management system audit report

Manroof GmbH

December 2010

***FWF member since: November 2008***

### ***Sources of information***

Database FWF

Annual report and work plan

Archived documents

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## 1. Introduction

In December 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Manroof (hereafter: 'Manroof'). The MSA is a tool for FWF to verify that a member company 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 Manroof in order to assess the key issues of interest. During the MSA employees of Manroof 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 Manroof 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 Manroof that have been identified as key areas of interest for 2010. 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](http://www.fairwear.org). FWF encourages Manroof to include information from the MSA report in its social report.

## 2. Executive summary

Manroof received information from its suppliers on a grievance that was filed by workers through the internal procedure of the factory, which demonstrates that Manroof encourages its suppliers to be transparent about their level of working conditions.

The relations that Manroof maintains with suppliers support implementation of FWF membership. Manroof has a very stable supplier register considering that the firm is active in the sector for promotional textiles. During the last two years, a single major change occurred in the supplier list of Manroof. In 2010 Manroof shifted its t-shirt production to a new supplier. The relationship with the former t-shirt supplier was continued for other product orders.

Manroof's FWF membership is a prominent discussion point that is discussed with new suppliers at an early stage of a possible relationship. Manroof wrote a letter to its new supplier for t-shirts which stated that the supplier would be required to cooperate in process of being audited and jointly following up on the corrective action plan. This letter was discussed in detail by a Manroof representative during a supplier visit in November 2010. In addition, Manroof requested the factory to take immediate measures before the supplier visit with regard to ten key improvement issues that resulted from previous audits at other Manroof suppliers in China.

Manroof meets the requirement that at least 60% of its total purchasing volume should be accounted for by audited factories and / or factories in low risk countries in the second year of FWF membership. Manroof has commissioned four audits in factories in China which represent 57% of its total purchasing volume in 2010. Approximately 14% of the purchasing volume of Manroof is produced in low risk countries such as Switzerland, Germany and Hungary.

Manroof actively follows up on corrective action plans from audit reports through ongoing e-mail discussions. Manroof requests suppliers which have been audited to send status updates on improvement issues. Suppliers are expected to provide evidence for reported improvements, such as photos or soft copies of internal documentation.

According to documentation on follow up of corrective action plan kept by Manroof, several improvement points had been realised after the audit in 2010. Factories made improvements with regard to occupational health and safety and systemised their practices to uphold good working conditions. In other areas further improvement is still required. Excessive overtime was not yet tackled as a problem, and proper payment of leave entitlements and timely payment of wages could not be ascertained.

Whereas excessive overtime was found during factory audits at factories producing for Manroof in China, no evidence was found indicating that Manroof's purchasing practices interfere with implementation of FWF's Code of Labour Practices with regard to working hours or wages.

Manroof has published the report of FWF's management system audit of 2009 on its website, indicating that the company is very transparent on its practices to implement FWF membership.

FWF recommends that Manroof assesses 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 this process.

### 3. Positive findings

#### *Conclusions*

1. Manroof has a very stable supplier register considering that the firm is active in the sector for promotional textiles.
2. Manroof has published the report of FWFs management system audit of 2009 on its website, indicating that the company is very transparent on its practices to implement FWF membership.
3. Manroof received information from its suppliers on a grievance that was filed by workers through the internal procedure of the factory, which demonstrates that Manroof encourages its suppliers to be transparent about their level of working conditions.

### 4. Sourcing

#### *Conclusions*

1. The relations that Manroof maintains with suppliers support implementation of FWF membership. Manroof has a very stable supplier register considering that the firm is active in the sector for promotional textiles. The company has long term relationships (+ 5 years) with ten of these factories, who produce most of the volume of Manroof. At its five most important suppliers Manroof has substantial leverage as a client (5-25% of production capacity) to effectively request improvements in working conditions. During the last two years, a single major change occurred in the supplier list of Manroof. In 2010 Manroof shifted its t-shirt production to a new supplier. The relationship with the former t-shirt supplier was continued for other product orders.
2. Manroof's FWF membership is a prominent discussion point that is discussed with new suppliers at an early stage of a possible relationship. When placing its first order Manroof wrote a letter to its new supplier for t-shirts which stated that the supplier would be required to cooperate in process of being audited and jointly following up on the corrective active plan. This letter was discussed in detail by a Manroof representative during a supplier visit in November 2010. In addition, Manroof requested the factory to take immediate measures before the supplier visit with regard to ten key improvement issues that resulted from previous audits at other Manroof suppliers in China.
3. Whereas excessive overtime was found during factory audits at factories producing for Manroof in China, no evidence was found indicating that Manroof's purchasing practices interfere with implementation of FWFs Code of Labour Practices with regard to working hours or wages:  
  
 Manroof plans orders in factories on the basis of the capacity that is available according to the supplier. If Manroof customers want quick delivery air freight or partial shipment is chosen as a solution. Manroof plans to contact two other key customers of the supplier to could jointly assess impact of their order practices. According to information that was collected during factory audits delivery times of Manroof provide sufficient opportunity for factories to avoid overtime.  
  
 Manroof agrees on prices with suppliers per order before placement, depending on the specifications that are requested by its customers. Suppliers calculate prices on the basis of material, fabric prices and labour cost. If order prices determined by a supplier imply that Manroof cannot meet the price that its customer asks for, Manroof and the

supplier jointly discuss the possibility to adapt the product material. During factory audits it was found that minimum wage regulations are complied with, but that further steps forward are necessary to increase wages towards the living wage level.

### ***Recommendations***

3. FWF recommends that Manroof, in cooperation with concerned suppliers, investigate the root causes of excessive overtime. It is useful to ask factories where excessive overtime is found during audits to carry out a root cause analysis on the factors causing excessive overtime. All incidents of overtime, their origin and severity should be recorded to support this analysis. It is recommended that a period be defined which is representative for an entire business year for the factory to carry out this analysis, for example a period of 3-6 months. After this analysis, a practical step-by-step plan can be drafted by the factory to bring the amount of working hours down to legally allowed levels. The plan should explain how and if and to what extent the factory can control overtime hours, and to what extent Manroof (and possibly its other clients), could help remediate this problem.

In addition, it is recommended to assess in cooperation with the supplier and main customer how further steps forward towards payment of living wages for a regular working week can be made possible. A possibility is to agree on an order price increase on the condition that the increment is used to increase regular wages for rank and file workers. On request FWF would share expertise which would help the involved parties define a practical framework for such an agreement.

## **5. Coherent system for monitoring and remediation**

### ***Conclusions***

1. Manroof has commissioned four audits in factories in China which represent 57 % of its total purchasing volume in 2010. These audits were carried out by FWF audit teams in 2009-2010. Approximately 14% of the purchasing volume of Manroof is produced in low risk countries such as Switzerland, Germany, Austria, Italy and Portugal. As a result, Manroof meets the requirement that at least 60% of its total purchasing volume should be accounted for by audited factories and / or factories in low risk countries in the second year of FWF membership. Audits at two other key Chinese suppliers of the company have been planned for Spring 2011.

2. Manroof actively follows up on corrective action plans from audit reports through ongoing e-mail discussions. Manroof requests suppliers which have been audited to send status updates on improvement issues. Suppliers are expected to provide evidence for reported improvements, such as photos or soft copies of internal documentation.

3. Manroof pursues to cooperate with other customers of its suppliers to work effectively towards improvements. The company collected a copy of an existing audit report on its t-shirt supplier. In addition, Manroof has asked its Chinese bag supplier for contact details of two other important consumers. After consent of the supplier, Manroof will contact both companies to assess if cooperation on implementation of the corrective action plan is possible.

**Requirements**

3. In case existing audit reports have been collected, these must be mentioned in the supplier register that is submitted with the work plan.

**Recommendations**

3. FWF recommends to use the audit quality checklist that has been issued by FWF. This would enable Manroof to assess the quality of existing audit reports. The checklist can be freely downloaded from the FWF website.

**6. Complaints procedure**

**Conclusions**

1. FWF has to date not received complaints filed by workers in factories producing for Manroof.
2. Manroof is sufficiently aware of the FWF complaints procedure and has a designated person to handle potential complaints filed by workers in factories producing for Manroof.
3. Manroof sees to it that the Code of Labour Practices including contact information of the local complaints handler of FWF is posted in factories in a location that is accessible to workers. Manroof requests suppliers to send pictures of the posted document. In case of a supplier visit, the Manroof representative checks is the document is posted.
4. Manroof received information from its suppliers on a grievance that was filed by workers through the internal procedure of the factory, which demonstrates that Manroof encourages its suppliers to be transparent about their level of working conditions.

**7. Improvement of labour conditions**

**Conclusions**

1. No serious non-compliances were found during factory audits at Manroof suppliers regarding child labour, forced labour and discrimination.
2. According to documentation on follow up of corrective action plan kept by Manroof, several improvement points had been realised after the audit in 2010. Factories made improvements with regard to occupational health and safety (fire and machine safety). As a means to further systemize their practices to uphold working conditions, factories adopted policies to avoid discrimination and child labour, posted relevant aspects of Chinese labour law in the work place, strengthened internal grievance procedures and designated persons to be in charge of their activities to implement a social compliance program.
3. In other areas further improvement is still required. Excessive overtime was not yet

tackled as a problem, and proper payment of leave entitlements timely payment of wages could not be ascertained. According to feedback that Manroof collected from its suppliers, not all workers were willing to sign an employment contract with their factory and / or refused to contribute to the Chinese social insurance scheme.

FWF has not yet verified improvements in working conditions. FWF will verify improvements by means of a factory audit in 2011.

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***

3. FWF recommends that Manroof assesses 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 this process. According to FWFs expertise 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.

## **8. Training and capacity building**

### ***Conclusions***

1. Manroof staff is sufficiently informed about FWF membership.
2. A representative of Manroof visited several of its Chinese suppliers to inform them about the practical implications of FWF membership and discuss support documentation that was developed by Manroof.
3. Manroof has not engaged with local stakeholders in production countries to carry out factory training to improve social dialogue on the factory level, or deployed local experts to support factories in realizing improvements in working conditions.

### ***Recommendations***

1. FWF recommends Manroof staff who are in the process of assessing potential new suppliers to participate in FWFs training session for staff of member companies. FWF will carry out training sessions at its office in Amsterdam from February 2011 onwards. Possibly similar trainings will be carried out in Switzerland and / or Germany.



## 9. Information management

### *Conclusions*

1. FWF finds that the supplier register that was submitted with the 2010 work plan of Manroof is accurate.
2. Manroof has a clear workflow to ensure that its information on its suppliers is up to date. The company maintains its supplier register including contact and address information of factories on the basis of its order administration. The supplier register contains information on subcontractors of direct suppliers to Manroof .
3. The supplier register specifies general information on the status of corrective action plans after audits are carried out and when a representative of the company visited a supplier to discuss the follow up process.

## 10. Transparency

### *Conclusions*

1. Manroof informs the external public sufficiently about its FWF membership. Manroof explains its commitment to FWF as an affiliate member in its 2008/2009 product catalogue and on its website.
2. Manroof does not yet make use of hangtags or washing labels which refer to its FWF membership, but plans to start doing this soon.
3. Manroof has published the report of FWFs management system audit of 2009 on its website.

### *Recommendations*

1. FWF recommends Manroof to specify key points for improvement in audited factories in its 2010 annual social report to further strengthen transparency on working conditions in factories where clothing is made.
2. It is recommended to start using the FWF logo on a washing label or hangtag for Manroof's textile products, now the company meets FWFs requirements for doing so.

## 11. Management system evaluation and improvement

### *Conclusions*

1. As Manroof is a small company a formal approach to evaluate the process of improving working conditions does not exist. The persons in Manroof that are involved in activities in this regard discuss these when relevant.

### *Recommendations*

1. FWF recommends Manroof to evaluate after a period of 2 years of membership to what extent the chosen approach to improve working conditions is effective. The evaluation would need to assess which improvements were (not) successfully implemented in factories, if communication with factories on this issue goes smooth, and whether the chosen approach is cost efficient. It is of added value to evaluate the process of following CAPs with suppliers now substantial steps to realize improvements in working conditions have been taken.

## **12. Basic requirements of FWF membership**

### *Conclusions*

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

## **13. Recommendations to FWF**

### *Recommendations*

1. Manroof would like FWF to develop a checklist for factories which specifies how to implement practical solutions on key improvements points on several levels (basic, moderate, advanced).
2. Manroof recommends to post the worker information sheet (which describes the FWF Code of Labour Practices provides contact information of FWFs local complaints handler) that is to be posted in factories on its website. This way, factories would be able to download the latest version of this document themselves.
3. Manroof is interested to let other FWF member companies from the Netherlands or Scandinavia place orders at its Chinese supplier for t-shirts.

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: China 1</b>
	<b>Summary of most important findings from a factory audit carried out on behalf Manroof in China (Nov 2009).</b>
<b>Workers interviews</b>	3 workers were interviewed prior to the date of the audit. Short interviews were also conducted with the workers on the shop floor on the days of the visit to the factory. In addition, an hour-long meeting was held with randomly selected workers of the factory.
<b>Documentation</b>	Grievance registers, disciplinary notices and accident & occupational injury records are not kept by factory and are not available for audit team to review during the audit process.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	No information.
<b>Monitoring system of FWF member company</b>	This was the first audit on behalf of Manroof to monitor working conditions in the factory.
<b>Management system of factory to improve labour standards</b>	Until the audit the factory never reported their current practice or progress on social compliance status to Manroof.
<b>Communication, consultation and grievance procedure</b>	Workers are not informed and consulted about FWF Code of labour Practices and Code of Conduct of other clients. Information about a grievance mechanism is not posted in the factory. Factory does not keep a register of complaints of workers.
<b>Employment is freely chosen</b>	Factory does not have a written policy in regard to no forced labour.
<b>No discrimination in employment</b>	Factory does not have a written policy in regard to no discrimination.
<b>No exploitation of child labour</b>	Factory does not have a written policy in regard to prohibition of child labour and protection for juvenile workers.
<b>Freedom of Association and the Right to Collective Bargaining</b>	There is no independent union or workers committee which is run by workers without management involvement. Further, workers are not aware of their rights to organize.
<b>Payment of a Living Wage</b>	No non-compliances found.
<b>No excessive working hours</b>	Workers worked in excess of the legal limit of 36 overtime hours per month up to 92 hours in July and September 2009. Workers worked in excess of 60 hours per week up to 65 hours in July and September 2009.
<b>Occupational health and safety</b>	No fire drill has been conducted since the establishment of the factory. No emergency evacuation plan is developed and posted in the factory. No trained first aid personnel is available in the factory.
<b>Legally binding employment relationship</b>	No non-compliances found.
<b>Special remarks</b>	None

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: China 2</b>
	<b>Summary of most important findings from a factory audit carried out on behalf Manroof in China (Nov 2009).</b>
<b>Workers interviews</b>	4 workers were interviewed prior to the date of the audit. Short interviews were also conducted with the workers on the shop floor on the days of the visit to the factory. In addition, an hour-long meeting was held with randomly selected workers of the factory.
<b>Documentation</b>	Time records are not provided by factory management for audit team to review during the audit process. Grievance registers, disciplinary notices, workers' leave registers, accident & occupational injury records are not kept by factory and are not available for audit team to review during the audit process.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	No information.
<b>Monitoring system of FWF member company</b>	This was the first audit on behalf of Manroof to monitor working conditions in the factory.
<b>Management system factory to improve labour standards</b>	Until the audit the factory never reported their current practice or progress on social compliance status to Manroof. Factory does not evaluate the labour standards in the factory on regular basis. Workers don't know the responsible person for factory social compliance program.
<b>Communication, consultation and grievance procedure</b>	Workers are not informed and consulted about Chinese Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients. Information about a grievance mechanism is not posted in the factory. Factory does not keep a register of complaints of workers.
<b>Employment is freely chosen</b>	Factory does not have a written policy in regard to no forced labour.
<b>No discrimination in employment</b>	Factory does not have a written policy in regard to no discrimination.
<b>No exploitation of child labour</b>	Factory does not have a written policy in regard to prohibition of child labour and protection for juvenile workers.
<b>Freedom of Association and the Right to Collective Bargaining</b>	There is no independent union or workers committee which is run by workers without management involvement. Workers are not aware of their rights to organize.
<b>Payment of a Living Wage</b>	Factory uses monetary fines as disciplinary practice.
<b>No excessive working hours</b>	Factory has not established a voluntary overtime system.
<b>Occupational health and safety</b>	No fire drill has been conducted since the establishment of the factory. No first aid kit and trained first aid personnel in the factory. Workers in the printing workshop are not provided with active carbon masks.
<b>Legally binding employment relationship</b>	All employees' personnel files provided by factory management do not contain age documents such as ID card copies. No documented evidence found to confirm that employees in the factory are provided with social insurance benefits.
<b>Special remarks</b>	None

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: China 3</b>
	<b>Summary of most important findings from a factory audit carried out on behalf Manroof in China (Sep 2010).</b>
<b>Workers interviews</b>	8 workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside working hours.
<b>Documentation</b>	Payroll records are not signed by employees for acknowledgement.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	In general wages are below living wage estimated by local stakeholders.
<b>Monitoring system of FWF member company</b>	This was the first audit on behalf of Manroof to monitor working conditions in the factory.
<b>Management system factory to improve labour standards</b>	Until the audit the factory did not have a system in place to monitor and improve the labour standards in the factory.
<b>Communication, consultation and grievance procedure</b>	Workers are not informed and consulted about PRC Labour Law and FWF Code of Labour Practices. Factory does not keep a register of complaints filed by workers and does not inform workers about the outcome.
<b>Employment is freely chosen</b>	The factory lacks formal policies to prevent violations on this labour standard.
<b>No discrimination in employment</b>	The factory lacks formal policies to prevent violations on this labour standard.
<b>No exploitation of child labour</b>	The factory lacks formal policies to prevent violations on this labour standard.
<b>Freedom of Association and the Right to Collective Bargaining</b>	Whereas the factory employs more than 50 workers, there is no independent union or workers committee which is run by workers without management involvement. workers are not aware of their rights to organize.
<b>Payment of a Living Wage</b>	Production workers are not sufficiently compensated for overtime hours. Workers are not provided with paid annual leave benefit.
<b>No excessive working hours</b>	Total weekly working hours exceeded 60 hours up to 80 hours in May, June and July 2010. No voluntary overtime system existed.
<b>Occupational health and safety</b>	Several improvement areas were found with regard to fire and machine safety
<b>Legally binding employment relationship</b>	A copy of the employment contract is not provided to employees by the factory. The majority of workers does not participate in the governmental social insurance scheme.
<b>Special remarks</b>	None