



Fair Wear Foundation

Management system audit report

Tricorp Textiles Europe

10 November, 2011

FWF member since:

1 June 2007

Sources of information

Interview with Leon Cimmermans (Sourcing)

Interview with Ron van Gestel (CEO)

Annual report and work plan

Archived documents

Database FWF

Audit conducted by:

Margreet Vrieling



Fair Wear Foundation

Index

Introduction	3
Executive summary	4
Positive findings	Error! Bookmark not defined.
1. Sourcing	4
2. Coherent system for monitoring and remediation	5
3. Complaints procedure	6
4. Labour conditions and improvements	7
5. Training and capacity building	7
6. Information management	8
7. Transparency	8
8. Management system evaluation and improvement	9
9. Basic requirements of FWF membership	9
10. Recommendations to FWF	9



Introduction

In November 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Tricorp Textiles Europe (Tricorp). The MSA is a tool for FWF to verify that Tricorp 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 Tricorp in order to assess the key issues of interest. During the MSA, employees of Tricorp 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 Tricorp 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 Tricorp 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 Tricorp to include information from the MSA report in its social report.



Executive summary

Tricorp Textiles Europe (Tricorp) The company is in the process of implementing FWFs management system requirements. The company is a FWF member since 2007 and sources in China, Bangladesh, Tunisia and Turkey. With four of their main suppliers long term business relationships are maintained of more than 8 years. At the beginning of 2011 Tricorp could not share the supplier register for this year. Tricorp has invested in diversifying in suppliers. In the end of the year it could be confirmed that the company worked with 9 other suppliers that each contributed over 25 of the production. The company audited in 2008 two of their Chinese suppliers and one supplier in Bangladesh. This last audit was done with an FWF team. No non compliances were found on forced labour and discrimination. The factory did have to establish a proper age verification system to rule out child labour. Workers did not get their entitled leave and there were several non compliances regarding wages. Fire safety was not adequately taken care of and improvements were needed on occupational safety and health. Tricorp facilitated improvements with a consultant. Occupational safety and health improved as did the communication between the workers and management. Other issues still needed improvement as the audit done by a FWF team in 2009 confirmed. After a visit to the location, Tricorp decided to move their production to another location belonging to the same owner.

Two audits for suppliers in China are now planned for 2011 and one audit is planned for in Bangladesh. The audits are expected to be done still this year. Including the audits from 2008 and the audits planned still this year, Tricorp will have audited 45% of its production, which means it does not reach the required threshold of 90%.

1. Sourcing

Conclusions

1. With four of their main suppliers, Tricorp maintains a long term business relationship of more than 8 years. In the past year Tricorp invested in diversifying their supply base. This had amongst others as a consequence that there was a big shift in production volumes also for these suppliers. This is also the reason why Tricorp did not share yet their supplier register for the year 2011 with the FWF work plan. At the end of 2011, the supply base is clearer, including a forecast for 2012. The suppliers are located in China, Bangladesh, Tunisia and Turkey. Less than 2% is sourced in Low Risk countries. Tricorp will continue its business relations with three of the four main suppliers in China and Bangladesh. Next to these there were 9 other suppliers that represented each over 2 % of the production commissioned by Tricorp. That number will be brought back to 7 for 2012. The reason to terminate the business relationship with some is not related to CSR issues.

2. Though the sourcing policy is not a formally approved policy on paper, the level of social compliance is taken on board in the decision making process when selecting a new supplier. This is based on a visit to the production unit and/ or information of other audits done. The company did not ask however for the full reports of these earlier audits.

3. FWF questionnaires are collected from new suppliers. The information sheet for workers has not been send to the new suppliers.

4. Audits at suppliers of Tricorp confirmed that excessive overtime was done. Tricorp is aware of the multiple factors that can cause the need for excessive overtime. They share on average a month before the orders an announcement of the orders with the suppliers. Including this period, lead time is between 4-6 months.
5. To calculate the price of a product Tricorp focuses at the prices for the raw materials as basis. The amount of used material is known and then also the total CMT costs are known. Within that Tricorp does not know how much is exactly the labour cost input. The company is prepared to take into account the benchmarks for living wage when establishing prices, when transparency is given on the wage data by the suppliers.

Recommendations

1. FWF recommends to invest in a stable supply chain (again), like for the Code of Labour Practices to be discussed with a supplier, a relation of mutual understanding is required and clarity on the relation for the next year is supportive.
2. Tricorp could ask (new) suppliers to share existing audit reports, to be included in their monitoring system and have a more detailed insight in the labour conditions in the factory. The audit quality assessment tool can be used the value the content of the report.
4. FWF recommends investigating the root causes of overtime in cooperation with factories. 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. After this analysis, a 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 the buyer could support remediation.
5. It is recommended to assess how further steps forward towards payment of living wages for a regular working week can be made. This assessment should preferably be done together with the supplier and if possible other important buyers. In this discussion the FWF wage ladder tool can be used. New FWF audit reports will include a Wage Ladder for the wage levels in the factory. Tricorp can use the Ladders as a start to open the dialogue with factories on more transparency on labour cost input per product and actions needed to increase stepwise the wagelevels towards stakeholders estimates of living wages.

2. Coherent system for monitoring and remediation

Conclusions

1. The company audited in 2008 two of their Chinese suppliers and one supplier in Bangladesh. This last audit was done with an FWF team. Last years conclusion in the FWF MSA was that a threshold of 76% was audited. Tricorp was required to execute an audit in 2011 at the fourth biggest supplier. However, orders at this supplier have been faded out, which justifies not having done an audit there. Two audits for suppliers in China are now planned for 2011 and one audit is planned for in Bangladesh. The audits



are expected to be done still this year. Including the audits from 2008 and the audits planned still this year, Tricorp will have audited 45% of its production, which is not meeting the FWF threshold.

2. One of the above mentioned audits will be a FWF verification audit, a re-audit of a one of the main suppliers in China. The audit in Bangladesh is also a re-audit, but the production for Tricorp is now done at another production unit than the earlier audited location.

3. Staff of Tricorp visit the locations regularly. The bigger suppliers are visited 2 or three times a year. Follow up on earlier CAP's has been done orally during visits at the production sites. This had not been registered however.

4. The intermediary in China also visits production locations in Far East Asia. This person till know has not been asked to discuss and report on social compliance issues.

Requirements

1. Tricorp has to have audited at least 90% of their production before the end of June 2012 and have the suppliers included in the monitoring system (as already agreed when discussing how to come back on track during the MSA in 2010).

Recommendations

1. Tricorp could consider asking suppliers to share other audit reports, and using the audit quality checklist that has been issued by FWF to assess quality of existing audit reports. The checklist can be freely downloaded from the FWF website. If audit reports meet the requirements of FWF and Tricorp follows up on the CAPs, the factory will be considered as being monitored by Tricorp.

4 and/ 5 It is suggested to develop a standard approach to brief staff and/or intermediary agents in preparation of factory visits. Part of this briefing could be a discussion of the most important improvement points which should be discussed with factory top management during a visit. Outcomes from factory visits should be recorded and shared with relevant staff within the company. .

3. Complaints procedure

Conclusions

1. The person responsible for implementation of the FWF Code of Labour Practices is the designated person within Tricorp to deal with complaints.

2. No complaints have been received in the past year.

3. The FWF Info sheets for workers with information of the local FWF complaints handler have not been sent yet to the new factories Tricorp started to work with in the past year. The audits done in 2008 did not confirm whether the FWF Info sheet was posted in the

factories.

Requirements

3. Tricorp has to ensure the FWF information sheet for workers is posted at the factories with the data of the local FWF complaints handler. The sheet has to be posted in a place easy accessible for workers.

4. Labour conditions and improvements

Conclusions

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.

1. At a supplier in Bangladesh an audit was done by a FWF team in 2008. No non compliances were found on forced labour and discrimination. The factory had to establish a proper age verification system to rule out child labour. Workers did not get their entitled leave and there were several non compliances regarding wages. Fire safety was not adequately taken care of and improvements were needed on occupational safety and health. Tricorp facilitated improvements with a consultant. Occupational safety and health improved as did the communication between the workers and management. Other issues still needed improvement according to the audit done by a FWF team in 2009 confirmed. According to information from Tricorp wages paid were now at least the legal minimum wage. In the meantime production for Tricorp has been moved to another location belonging to the same owner.
2. Two factories were audited by an auditing agency in China in 2008. No written information was available on the follow up of these audits.

Requirements

1. Tricorp should actively follow up on corrective action plans to facilitate and communicate about the improvements needed.

5. Training and capacity building

Conclusions

1. No activities have been developed in the past year to keep staff at Tricorp updated on the FWF membership and social compliance at their suppliers.
2. The more important manufacturers have received the FWF questionnaire.



Requirements
2. The FWF questionnaire have to be sent to all suppliers to inform them on Tricorps FWF membership and have their commitment on working towards reaching improvements on the implementation of the FWF Code of Labour Practices.

Recommendations
1. FWF could consider organising a FWF training or let staff of Tricorp participate in a FWF training seminar to support them in the establishment of a coherent monitoring system and share experiences with other FWF affiliates.

6. Information management

Conclusions
1. There is a designated person within Tricorp to prepare the supplier register and keep it updated. Because of the big shifts in orders and the wish to diversify the suppliers base, for the past year Tricorp did not send a supplier register with their work plan for 2011.
2. The supplier register provided at the end of the year did not fully meet the requirements of FWF
3. At Tricorp there is no system in place to keep track of and document the status of corrective action plans or whether or not other audit reports had been collected.

Requirements
1. and 2. Tricorp has to ensure an adequate supplier register is available. Having insight in the location of the production units is a prerequisite for knowing and improving the labour conditions at these factories where production for Tricorp is made.
3. A system needs to be in place to keep track of the status of corrective action plans.

7. Transparency

Conclusions
1. Tricorp informs its customers and public on its FWF membership in its catalogue, brochures and on its stationary.
2. The old Fair Wear Foundation logo is still used.
3. As mentioned in last years MSA last year no activities were developed to fill in its



membership of FWF in 2010. Therefore no social report was developed.

4. Information of the FWF membership is posted on the corporate website.

Recommendations

2. Information on the FWF membership has to be kept updated and the logo should be replaced with the actual FWF logo.

4. FWF will send some suggestions to improve the wording on Tricorps membership on the website.

8. Management system evaluation and improvement

Conclusions

1. Tricorp evaluates its FWF membership in a continuing process at management team meetings.

Recommendations

1. FWF recommends to evaluate at least once a year 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.

9. Basic requirements of FWF membership

Conclusions

1. The Work plan for 2011 has been sent in on time.

2. The membership has been paid.

10. Recommendations to FWF

Recommendations

1. Tricorp suggested FWF to have a list accessible for FWF members of factories audited by FWF teams.



Annex

Improvement of labour conditions: summary of most important findings	Factory: Bangladesh	Factory: Bangladesh
	Source: audit carried out on 3 and 4 January 2008	Source: audit carried out on 19 and 20 July 2009
Workers interviews	6 workers interviewed during off-site interviews. During the audit several short interviews were conducted. In addition, half an hour-long meeting was held with randomly selected workers. This group included male and female workers from different categories.	17 workers interviewed during off-site interviews. During the audit several short interviews were conducted on the shop floor. In addition, half an hour-long meeting was held with randomly selected workers during lunch. This group included male and female workers from different categories.
Documentation	In general the factory lacks appropriate documentation.	Attendance cards were found to be incorrect. Grievance register is not kept properly.
Sourcing practices (price, lead time, quality requirements)	Not part of this audit.	Buying policies of clients occasionally contribute to additional overtime work in the factory.
Monitoring system of FWF member company	FWF Code of Labour Practices is not posted in the workplace.	The factory was audited twice during the past 1.5 years and received assistance from an external consultant to improve its compliance with labor standards it failed to make substantial progress. The consultant provided basic training programme to raise workers' awareness on the labour law.
Management system factory to improve labour standards	Not part of this audit.	The factory itself does not monitor working conditions in the workplace.
Communication, consultation and grievance procedure	Not part of this audit.	Training is not provided regularly to workers. Workers are insufficiently aware of the labour law and the FWF Code of Labour practices. Disciplinary actions were taken without following the procedure that was initiated last year.
Employment is freely chosen	No non-compliance found.	Overtime work is sometimes mandatory.
No discrimination in employment	No evidence of discrimination was found.	The factory does not have a transparent performance appraisal system for wage increments.
No exploitation of child labour	The factory has no proper age verification system.	Workers register does not contain the birth date of

		workers.
Freedom of Association and the Right to Collective Bargaining	There is no functioning participation committee in the factory.	A Workers Participatory Committee (WPC) was established after the last audit but it has not been active for last 5-6 months.
Payment of a Living Wage	Workers do not receive a pay slip and don't understand how their wages are calculated. Workers do not get leave to which they are legally entitled. Salary payment dates are later than the legally required 7 working days of next month.	Workers do not receive a pay slip. Some workers receive less than the minimum wage. Wages in the factory do not meet the level of a living wage in Bangladesh. The factory is providing attendance bonus to workers.
No excessive working hours	Factory makes use of excessive hours of work. Overtime is mandatory during shipping periods. Overtime payment rates are below the legally required rates.	Excessive overtime was found in May and June 2009.
Occupational health and safety	The factory has not taken sufficient measures with regard to fire safety. Factory is not in good condition regarding machine safety. Workers do not use personal protective equipment. There is a leaking overhead tank on the roof of the factory.	The factory improved on fire safety but still some aisles are blocked by furniture and goods. Two fire extinguishers are out of order. The number of toilets is not sufficient. There is no misbehaviour/harassment/abuse in the factory.
Legally binding employment relationship	The factory lacks all personal worker files that are legally required.	The factory does not give an appointment letter to newly appointed workers.
Special remarks	The audit team met with good co-operation from the management, workers and all other consulted persons and organisations. Whatever requested information was provided. Management was open to show everything to the audit team.	The communication channel with management is good; workers can directly approach to top management. Factory is better organised and cleaner compared to the previous audit in January 2008. Auditors found that workers spoke freely during worker interviews.