



## Management system audit report

De Berkel

13 January, 2011

*FWF member since: 2007*

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

A: Database FWF

B: Annual report and work plan

C: Archived documents

D: Wilfried Rasing (General director)

E: Jan Ordelmans (CSR / contact person for FWF)

F: Jan Ordelmans/Robert Jan Klunder (Sourcing/production)

G: Erik Bruggers (Communication/sales)

Audit conducted by:

Margreet Vrieling



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## Introduction

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

## Executive summary

De Berkel has been a member of FWF since 2007 and meets most of the management system requirements. De Berkel maintains a stable supplier register and maintains a long term business relation with the factories in Moldova and has started to produce in Ukraine. One of the production units is owned by the mother company. The factories are visited very frequently (more than once per month). The company invests in machinery and social activities at the work place. They communicate in a positive way on their membership.

FWF has been able to verify that improvements have been realised in one of the factories in Moldova. Improvements were realised on fire safety, there was good drinking water, emergency exits were in place and documents were better organised. Audits at the other two factories showed that there were no findings on forced labour, child labour and discrimination. Improvements need to be made on registration of working hours and worker representation.

De Berkel does discuss the importance of social compliance with suppliers of external production, but the company has not required these suppliers to commit formally to the Code of Labour Practices. De Berkel will need to take action hereon.

## Positive findings

1. De Berkel maintains intensive contact with its suppliers and invests in machinery, social activities at the workplace. Furthermore the company has donated contributions to projects in the villages where the factories are located.

## 1. Sourcing

### *Conclusions*

1. De Berkel has a stable supplier register and has maintained a long term business relation with the factories which produce for them in Moldova . One of the factories produces 100% for De Berkel, another one more than 50%. Recently production has started as well in Ukraine, in a factory which only produces for De Berkel. Next to this De Berkel buys RMG in India and China.
2. When selecting new factories social compliance is one of the factors that is taken into consideration.
3. Designing and sampling is done at the Berkel, as well as the calculation of minutes required for production per item. Then the samples are sent to the production units; the orders are placed through the office of Teamdress in Poland. De Berkel agrees on a contract per year with the production locations. De Berkel plans two weeks ahead and uses standard lead times.
4. Within De Berkel there is one person responsible for the own production and another one for sourcing ready made garments from external suppliers.
4. For production in China they use intermediary agents based in Amsterdam. They have their own audit teams. De Berkel doesn't have access to the reports.
5. In their contract with a customer for a big project De Berkel has included some social clauses.

## 2. Coherent system for monitoring and remediation

### *Conclusions*

1. After three years of membership De Berkel has met the required threshold of 90%. 3% of the production was done in a Low Risk country and 88% of the production was done in factories that have been audited. For the monitoring De Berkel has made use of FWF auditors.
2. De Berkel has negotiated agreements with the factories on corrective action plans after the audits.
3. The production manager and colleagues based in Poland visit frequently the locations in Ukraine and Moldova and discuss the follow-up of the corrective action plans.
4. The suppliers of external production in China and India has been visited before the production started.
5. De Berkel did not ask yet the suppliers in India and China to answer the questionnaire.
6. De Berkel maintains close relationships with the factories in Moldova and Ukraine. They invest in machinery and social activities at the work place.

### *Requirements*

5. De Berkel has to collect completed questionnaires from all their suppliers in order to have clarity on the commitment with the FWF Code of Labour Practices

### *Recommendations*

3. In order to keep in a coordinated way track of the developments after a corrective action plan has been agreed, de Berkel could consider entering updates in the CAP document in an extra column.

## 3. Complaints procedure

### *Conclusions*

- 1 . There is a designated person in place to handle complaints filed by employees of suppliers.
2. To date FWF has receive no complaints have been received.
3. FWF has verified that the FWF Code of Labour Practices including the contact information of the local complaints handler of FWF is posted in the work place of the

main supplier.

## 4. Improvement of labour conditions

### *Conclusions*

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. An overview is annexed to this report with the results of the verification audit compared to the earlier audit.

1. In Moldova all three factories are audited and in one factory a verification audit was done. The Corrective Action Plans were agreed upon and were given follow up. During the verification improvements have been confirmed. Improvements are realised on fire safety, there was good drinking water, emergency exits were in place and documents were better organised.

In Moldova the audits showed there is no use of force labour, child labour and no discrimination. In one of the three locations there is a union. The workers and union members however do not have a clear idea on their role in consultation and negotiation. The other two locations do not have a workers representative organisation. The wages paid are all above the minimum wage. Wages are somewhat below what FWF key local stakeholders' estimate as a living wage. It was not possible to calculate the amount of overtime. This is because of the piece rate system. Workers often work more hours to have more pieces done in a day or to finish an order on time, but this is not recorded as overtime.

### *Recommendations*

1. It is recommended to organise a training in the factory on the rights and duties of a worker and on the role of a union or worker representative in order to further strengthening and formalise social dialogue on factory level.

2. FWF recommends De Berkel to analyse the working hours and get clarity on possible excessive overtime. The piece rate system should be developed as such that the target feasible to be done in 8 hours is enough to receive at least the minimum legal wage. Working hours need to be correctly documented. Improving the registration can be combined with a root cause analysis of the reasons to perform excessive overtime if there is any. 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. .

## 5. Training and capacity building

### *Conclusions*

1. De Berkel is a small company. Staff in general are sufficiently informed on the FWF membership. News from FWF is shared with several colleagues. Updates on the state of affairs on social compliance at the production locations are shared in the management

team.

2. The production manager responsible for the external suppliers is informed on the FWF affiliation but is not sufficiently aware of the implication for implement a monitoring system.

3. The production unit in Ukraine and the supplier in India have been informed by representatives of De Berkel on the FWF membership, but have not been sent the questionnaire. Questionnaires have been sent and returned by the production units in Moldova. The information sheets for workers are posted on the wall in the production units in Moldova as verified by FWF.

4. The intermediate agents are informed about the FWF membership and the implementation of the Code of Labour Practices.

## 6. Information management

### *Conclusions*

1. There are designated persons to keep the registers updated. They maintain a register of factories that produce for De Berkel and a register of suppliers that deliver ready made garments. The overview sent to FWF of the external suppliers did not match completely with the data checked during the MSA.

2. There is no financial data available per factory in Moldova on payments to the factories, only for the total of the three. The supplier register does contain information on the volume of orders per factory.

### *Requirements*

1. When there are major changes to the suppliers register, or several new suppliers have been added, an update has to be shared with FWF.

### *Recommendations*

1. It is recommended to keep track of improvements realised in the factories in the supplier register or another document or database. A suggestion can be to use the corrective action plans (CAP's) to register improvements in an extra column, to have always updated information in the system on the social compliance situation in the factories.

## 7. Transparency

### *Conclusions*

1. The company informs the external public / potential procurement customers about its



FWF membership through the corporate website in correct wording. To inform clients/retailers they often use FWF leaflets or other materials. Furthermore it is communicated through their stationary (paper and business cards.)

2. The member company has submitted its 2009 annual social report to FWF, but has not published it on its corporate website.

**Requirements**

2. The annual social report must be posted on the homepage of the affiliated company.

**Recommendations**

1. The member company should use the new logo of FWF in their communication, which can be downloaded from the resources section at [www.fairwear.org](http://www.fairwear.org).

2. As the company meets the requirements (factories representing 60% of its purchasing volume are audited or based in low risk countries) it is recommended to start making use of product hangtags or labels which state that the company is a FWF member. On the website of FWF under resources for affiliates the communication policy can be found which describes the possibilities for this

## 8. Management system evaluation and improvement

**Conclusions**

1. The member is a small company a formal approach to evaluate the process of improving working conditions does not exist. The persons in the company that are involved in activities in this regard discuss these when relevant in the management team meetings. For this it uses also the feedback from manufacturers on the process of code implementation.

## 9. Basic requirements of FWF membership

**Conclusions**

1. The company has handed in a work plan for 2010 and 2011.  
2. The company has paid its membership fee.



## 10. Recommendations to FWF

<i>Recommendations</i>
1. No recommendations.

## ANNEX

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: Moldava</b>	<b>Moldava</b>
	<b>Source: audit with FWF team carried out in October, 2008</b>	<b>Source: verification audit October 2010</b>
<b>Workers interviews</b>	4 workers were interviewed during off-site interviews. During the factory visit short interviews were conducted with some of the workers.	4 workers were interviewed during off-site interviews. On site interviews were conducted with workers during the factory visit
<b>Documentation</b>	The documents for H&S are not properly classified. Management and workers were not aware about the FWF Code of Conduct or about other Codes.	H&S documents were sorted and organised.
<b>Buyer-supplier relationship (duration)</b>	since 1998	
<b>Sourcing practices (price, lead time, quality requirements)</b>	not part of this audit	FWF CoLP was posted. Orders from De Berkel are very diversified.
<b>Monitoring system of FWF member company</b>	not part of this audit	Compliance issues are discussed, but there is no formal system to monitor and follow up.
<b>Management system factory to improve labour standards</b>	not part of this audit	No designated person to monitor labour standards.
<b>Communication, consultation and grievance procedure</b>	not part of this audit	A complaint box was installed together with the grievance procedure
<b>Employment is freely chosen</b>	No non-compliances found.	No non-compliances found
<b>No discrimination in employment</b>	No non-compliances found.	No non-compliances found
<b>No exploitation of child labour</b>	No non-compliances found.	No non-compliances found

<b>Freedom of Association and the Right to Collective Bargaining</b>	There is a trade union in the factory, but the employees are not aware of the activities that unionist should carry out. The employees only know that the trade union ensures sanatorium camp tickets. The employees are not involved in negotiations with the management.	Majority of workers still do not know role of union in consultation and negotiation. CBA is signed but consultation process was not clear.
<b>Payment of a Living Wage</b>	While the wages paid are above minimum wage and above average CBA wages, this hardly covers living costs.	Legal minimum wages is respected, but wages fall a bit short from being living wages
<b>No excessive working hours</b>	OT is not properly registered. Calculation of payment of OT is not documented properly.	OT is not properly registered. Calculation of payment of OT is not clear.
<b>Occupational health and safety</b>	Cutting machines do not have protection devices; workers do not wear working equipment; workers do not have access to drinking water and the sanitation facilities are inappropriate. Ventilation and air conditioning systems are not installed in all necessary sections.	Certificate for electricity was renewed, the instruction for first aid was developed, drinking water is available. Protection shields are not used on sewing machines, in cutting section to protective equipment is used. Proper ventilation is still not installed in all necessary sections
<b>Legally binding employment relationship</b>	No non-compliances found.	No non-compliances found