



**Manual for companies affiliated to  
Fair Wear Foundation – October 2009**

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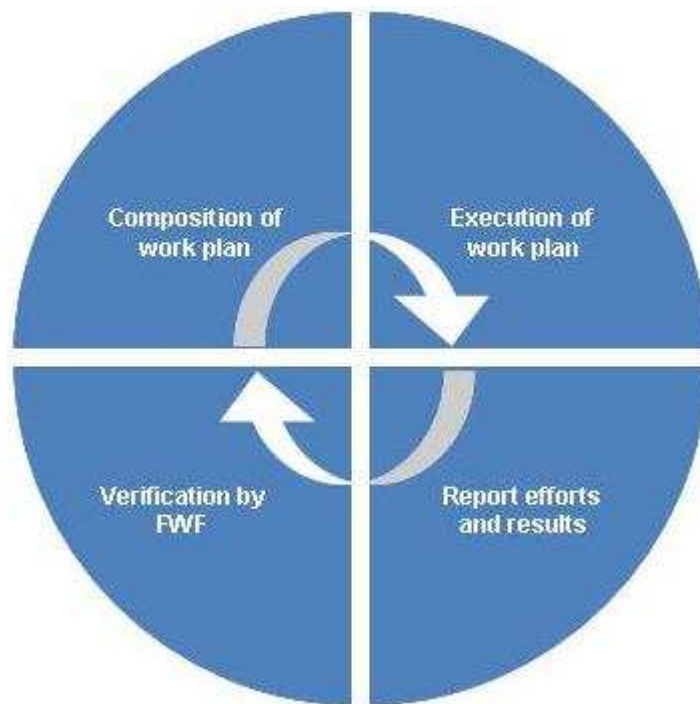
# 1. Introduction

Good labour conditions are Fair Wear Foundation's mission. In branches of industry of which the main manufacturing process is sewing – and particularly in low-wage countries – FWF joins forces with business associations, trade unions and NGO's. By supporting companies in their implementation of the Code of Labour Practices, FWF and its affiliates work side by side to improve labour conditions, step-by-step.

By becoming an affiliate of Fair Wear Foundation, a company commits itself to implementing the Code of Labour Practices throughout its supply chain. In addition, the affiliate submits to independent, multi-stakeholder verification by FWF. A membership fee is paid by the company, in return for which FWF conducts verification activities and provides practical support, facilitating the company's implementation of the Code of Labour Practices.

When companies join FWF, they have had widely divergent experience of working with codes of conduct. Some have already developed various tools to implement the code; others are at the beginning of this process. This manual is intended to provide the latter with a clear and complete method of working, while providing the former with additional suggestions and alternatives to their existing methods.

Although, for the sake of transparency and accountability, a certain degree of uniformity in the approach of FWF affiliates is helpful, FWF does not believe in a one-size-fits-all approach and does therefore not prescribe a specific management system to implement the Code of Labour Practices. FWF will approve other working methods than those described in this manual, as long as they render the same or better results.



FWF annual planning cycle

Activity	Planning	Dates
<p><b>Work Plan</b> FWF affiliates are expected to develop a system that enables them to successfully improve labour conditions in their supply chain. This system is described in the <b>annual work plan</b>, which includes an updated <b>supplier register</b> and <b>accountant's statement</b>. The work plan is submitted to FWF.</p>	Affiliate receives format work plan and format social report	1 August
	Affiliate submits final work plan	31 December
<p><b>Social Report</b> At the end of the cycle, FWF affiliates report about their activities and results in their social report. The social report is submitted to FWF and published by both FWF and the affiliate.</p>	Affiliate submits final social report	15 March

In drafting the work plan and social report, affiliates are invited to make use of the expertise of FWF. In the time between receiving the formats and the final deadlines for the work plan and social report respectively, affiliates can ask their contact person at FWF to give feedback on drafts of both documents. A timely submission of a draft will ensure that FWF is able to provide such feedback.

FWF conducts the following activities on behalf of its affiliates:

- Commissioning and updating country studies regarding the countries of production, identifying the main problems in the area of labour practices.
- Providing feedback on work plans, supplier registers, social reports.
- Training of specialised FWF teams in the production countries, which carry out factory audits. These teams can be contracted by FWF affiliates to carry out audits. They comply with FWF quality requirements and have a better price-quality ratio than the services offered by commercial audit companies.
- Carrying out factory audits to verify the implementation of the Code of Labour Practices by FWF affiliates.
- Carrying out management system audits (MSAs) at FWF affiliates. During an MSA, FWF assesses the effectiveness of the affiliate's system for implementing the Code of Labour Practices in their supply chain.
- FWF has a complaints procedure which it implements in the factories that supply its affiliates. The procedure enables workers or their representatives to make a complaint to FWF about working conditions and the way the Code of Labour Practices is implemented in the factory. The procedure is also accessible for the manufacturer, trade unions and NGOs.

- Establishing and maintaining a contact network with a wide range of organisations in production countries. FWF shares experiences regarding implementation of its Code of Labour Practices and outcomes of its verification activities with stakeholders in production countries and with organisations, which endorse the objectives of the foundation.
- FWF continues to develop its policies and tools, in close cooperation with civil society organisations which operate in our field of action. FWF is in particular seeking cooperation with similar multi-stakeholder initiatives such as the Fair Labor Association, the Ethical Trading Initiative, Social Accountability International and the Worker Rights Consortium. With these latter organisations, FWF has come together in the Jo-In Forum.
- Communication activities: FWF informs the general public about its affiliates and what FWF membership implies.
- Capacity building & additional support: on request of the FWF affiliate, FWF can provide support, (help) train employees or assist in other activities towards implementing an efficient management system. Where this support exceeds the standard number of support hours (30 the first year, 10 in subsequent years), an additional fee will be charged. In addition, FWF organises an annual members' day each spring, during which all members are invited to meet and share their experiences.

This manual provides FWF affiliates with practical tips and check-lists to help them develop a system to implement the Code of Labour Practices, to formulate goals and activities in the annual work plan and to report about the achieved results in the social report. The manual is an integral part of the contract between FWF and its affiliate. For more information on FWF verification activities, see the FWF website.

## 2. Becoming an affiliate of Fair Wear Foundation

The steps towards becoming an FWF affiliate are:

1. Draw up a work plan (including a complete supplier register)
2. Sign the FWF Code of Labour Practices & contract
3. Communicate FWF membership
4. Pay the annual membership fee

### 2.1. Work plan

Before a company can become an affiliate of FWF, it must have drawn up its first annual work plan (including a complete supplier register). The annual work plan is a central tool in the working relationship between FWF and its affiliates. The affiliates' work plans are treated confidentially by FWF and are not made public – though of course the FWF affiliates themselves are free to publish them if they wish to do so.

If a company joins FWF in the course of the second semester, the first work plan shall cover the rest of the current year as well as the following calendar year.

For further details on the work plan see Chapter 3.

#### Work plan

Why does FWF ask about budget?

In the first section of the format work plan, affiliates are asked to state the budget they have allocated to the implementation of the Code of Labour Practices. FWF needs to know whether its affiliates have a realistic view of the costs involved in membership, and whether they have allocated the appropriate amounts. A list of possible items (applicability varies widely per company):

- membership fee FWF
- audit costs (divided per country)
- factory visits (divided per country)
- other CSR activities (divided per country)
- investments in the internal management system
- labour costs CSR Staff
- remaining costs (e.g. staff meetings for information/education, communication tools etc.)

### 2.2. Signing the Code of Labour Practices

Once the first work plan including the supplier register has been submitted to FWF, a new affiliate can officially join FWF by signing an agreement which includes the Code of Labour Practices. The agreement is signed by the CEO of the new affiliate and by the director of FWF.

### 2.3. Communicate FWF Membership

When a company becomes affiliate of FWF, it is obliged to make its FWF membership public. It must do so at least by informing on its website. There is also the possibility of issuing a press release, informing in company newsletters, putting the FWF logo on letter heads, business cards etc. For further details regarding external communication by FWF affiliates, see section 3.6 Transparency.

FWF also informs the public about new affiliates at least on its website and in its newsletter. FWF posts its affiliates' logos and offers each affiliate one page on the FWF website.

## **2.4. Membership fee**

Affiliates pay the membership fee per calendar year upon receipt of the invoice by FWF.

The membership fee for affiliate members is calculated on the basis of the turnover in sewn products. A table is used to determine the actual amount. To this end, affiliates submit the most recent consolidated annual financial report, accompanied by an accountant's statement, along with the work plan, of which both documents form an integral part. A detailed overview of the current membership fees is available from Fair Wear Foundation.

## **2.5. Membership quality assurance**

Affiliates who fail to meet the requirements put the credibility of FWF's claim at risk. If one affiliate fails to achieve sufficient results towards the implementation of the FWF Code of Labour Practices, this reflects badly on all other affiliates and FWF's claim in the market.

When this occurs, FWF implements a number of steps to get the affiliate back on track. Only if attempts at resolving the lapse in compliance with FWF requirements remain fruitless, will steps be taken to end affiliation. This can take the form of (temporary) suspension if there are circumstances which have caused the affiliate to put their activities on hold. If there is no perspective of substantial improvement, the board of FWF will decide to terminate affiliation.

### 3. Management system requirements to implement the Code of Labour Practices

FWF has formulated a number of requirements with regard to the management system of its affiliates that enable the effective implementation of the Code of Labour Practices along their supply chain. In this chapter, the management system requirements will each be described briefly. Each section gives guidelines on how to implement the requirement. The blue text boxes provide information for the annual work plan or other relevant documents.

#### Work plan

Each FWF affiliate annually submits a work plan in which it describes how it intends to implement the Code of Labour Practices. The work plan is a central tool in the working relationship between the affiliate and FWF. It describes when and how the labour situation in factories will be monitored and what will be done if non-compliance with labour standards is found. The affiliates' work plans are treated confidentially by FWF.

FWF provides a format which is used to fill out the annual work plan.

A work plan contains at least the following elements:

- The name of the contact person for FWF and an overview of how the responsibilities for the implementation of all aspects of FWF membership are divided within the company;
- Information on the budget allocated to the execution of the work plan;
- Information on the sourcing strategy of the affiliate, including information on the organisation of the sourcing department, the production cycle, the criteria for selection of suppliers and practices on prices and delivery times (see 3.1 Sourcing strategy);
- Information on the monitoring programme (see 3.2 Coherent system on monitoring and remediation);
- Information on how the FWF affiliate will handle complaints (see 3.3 Complaints procedure).
- Information on how improvements of labour conditions will be carried out or will be put into effect;
- Information on education and training of staff, agents, suppliers and workers with regard to the Code of Labour Practices (see 3.4 Training and capacity building);
- Information on how the affiliate will keep the supplier register updated and on how the information on code implementation is linked to sourcing information. (see 3.5 Information management);
- Information on the affiliates' external communication of FWF membership (see 3.6 Transparency);
- A statement on when and by whom the effectiveness of the work plan is evaluated (see 3.7 Management system evaluation and improvement).

#### 3.1. Sourcing strategy

A responsible sourcing strategy supports effective implementation of the Code of Labour Practices. Companies that adopt an ethical sourcing strategy take current trading relationships as a starting point for monitoring and remediation. They work together with suppliers to ensure that minimum labour

standards are met in the production of the entire product range throughout their supply chain. Long term commercial relationships with suppliers can create an environment of trust. Working together to gradually implement the Code of Labour Practices should be a process of mutual benefit.

### **Work plan**

The FWF affiliate will describe its sourcing strategy in the work plan:

- sourcing strategy & pricing
- type of product
- sourcing countries
- division of production among different factories
- average duration of relations with producers

If the affiliate has changed its sourcing strategy in the past three years, this change should also be described.

#### *Organisation of the sourcing department*

In addition to the number of staff in the sourcing department and their responsibilities, the affiliate should describe how, when and by whom decisions are taken. Do buyers/product managers play a role in keeping the supplier register up-to-date? Do you work via agents or other intermediaries? Which role do they play in sourcing?

Finally, affiliates should describe which factors play a role in the assessment of buyers and/or product managers. Which are the (formal) criteria, for example to decide whether they receive a bonus? (E.g.: quality, margins, process, compliance with labour standards)

The FWF affiliate ensures that the terms of trade allow the manufacturer to implement the labour standards. For example: delivery times and pricing should not lead to excessive overtime and should be part of a systematic approach towards a living wage for workers.

Whenever possible, the FWF affiliate will plan its production ahead and in consultation with its most important producers, taking into account the suppliers' production capacity and the lead time which the supplier needs. If labour problems occur at the supplier that are related to planning, such as excessive overtime work, it may be useful to analyse root causes for this problem in the social report to determine what both the affiliate and the supplier can do to solve the problem.

When choosing a new supplier, working conditions and, more importantly, the willingness of suppliers to cooperate on improvements, should be important criteria.

When a supplier does not comply with the labour standards, the affiliate should work with the supplier to improve the situation rather than terminating the commercial relationship. If a supplier, despite all efforts on the part of the FWF affiliate, still does not recognise labour standards and remains unwilling to make reasonable improvements, the business relationship may have to be ended. The affiliate reports about its decision in the social report.

## **Work plan**

### *Production cycle*

Describe for example

- the number of collections per year
- when manufacturers are informed about orders
- what lead times are used
- if project planning is used and how deadlines are dealt with

### *Integration of monitoring activities and sourcing decisions*

In what way are monitoring activities and their outcomes integrated in sourcing decisions? When choosing a new supplier, for example, or when placing orders: is the supplier's willingness to cooperate towards compliance with labour standards taken into account? Are orders made dependant on the execution of corrective action plans?

Concrete questions might be:

- which criteria are used in the selection of new factories?
- who assesses potential new factories?
- are new factories included in the factory register as soon as the FWF affiliate sources there?
- are working conditions in factories taken into account when placing orders?
- are manufacturers ranked? If so, based on which criteria (compliance with labour standards, quality, price)?

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

FWF affiliates must establish a coherent programme to monitor the implementation of the Code of Labour Practices in all supplying factories. FWF does not prescribe a specific monitoring programme and does not believe in a one-size-fits-all approach. FWF does, however, provide an outline of tools that can be part of a monitoring system. In this section, FWF first explains what is expected in general of affiliates with regard to monitoring and remediation of working conditions. The section also explains which suppliers must be covered by monitoring and remediation activities.

Affiliates are expected to develop a monitoring system that enables them progressively cover all suppliers in order to get full insight into working conditions in their supply chain.

A coherent monitoring programme includes factory audits, self-assessments by the suppliers, a complaints procedure that involves workers in the monitoring of working conditions in the factory, and factory visits by affiliate company representatives.

When establishing a monitoring programme, FWF affiliates are advised to use information from FWF country studies. Furthermore, FWF affiliates should acquaint themselves with the outcomes of FWF's consultations with local organisations. These are included in country studies and audit reports.

If the labour standards appear not to be respected in a factory, as shown by, for example, a complaint or a factory audit conducted on behalf of either the affiliate or FWF, then the affiliate, in cooperation with the supplier, will draw up a corrective action plan, or if needed adapt the existing corrective action plan. If there was an earlier audit, then the auditors will normally have suggested a corrective action plan, attached to the audit report. If it concerns a factory audit that was conducted by an FWF audit

## Work plan

### *Coherence of the programme*

Coherence in this instance means that the different monitoring instruments and activities all contribute to the overall goal(s) formulated in the work plan. It also means that they relate to and reinforce each other – e.g. that the product manager who visits a factory is aware of whether an audit has been performed, what the outcomes were and of the status of the ensuing corrective action plan.

By 'monitoring instruments' FWF means a.o. informing manufacturers and their employees about the Code of Labour Practices, questionnaires, audits, complaints handling, execution of corrective action plans, factory visits, reporting.

When filling out this section of the work plan, FWF affiliates should also add information about the planned monitoring activities.

team, the auditors will consult the management and the workers' representatives (if these have been elected) about the necessary improvements; the managers' views will be included in the audit report. Finally, within two months, the FWF affiliate determines the corrective action plan, after consultation with the factory management, and confirms that the factory management agrees with it.

A corrective action plan may concern problems that are easily solved, such as taking certain safety measures. It may also seek to solve a problem that requires a more complex or long-lasting approach (see Sourcing strategy, Training and capacity building and other sections).

FWF strives for step-by-step improvements of labour conditions where necessary. In the country studies, FWF aims to identify which improvements must be implemented. FWF also indicates how big the steps must be, how quickly they should be implemented, which

local organisations must be consulted and involved and which are adequate improvements in the local context. It is not the task of auditors to determine acceptable improvements.

For all factories producing for the FWF affiliate, each FWF affiliate sets up an audit planning which is annually updated and is contained in the factory register (see 3.5.1 Supplier register). The most important suppliers are the first to be audited. For the total value of production sourced from these factories the following thresholds must be achieved with regard to factory audits:

- By the end of the first year – or, if the membership begins during the second semester, by the end of the first whole calendar year – of its FWF membership 40% (measured against its value) of the production commissioned by the FWF affiliate (own production), must have originated in factories which have been audited or from factories in "low risk countries".
- By the end of the second year of membership a threshold of 60% must be reached.
- And by the end of the third year 90% of the production commissioned by the FWF affiliate must have originated in factories which have been audited or from factories in "low risk countries".

For the remaining 10% of the production commissioned by the FWF affiliate the following applies:

- Suppliers of own production who supply 2% or more of the affiliate's total turnover stated in the factory register, must also be audited.
- The remaining suppliers of own production are exempted from auditing, but must still endorse the Code of Labour Practices and display the information sheet for workers in the work place. Furthermore the FWF complaints procedure must be made operational in those factories.

From the first audit onwards, factories are audited as often as necessary and at least once every three years, to guarantee progress in compliance with the labour standards. As long as major violations of labour standards are found, however, audits are carried out at least annually.

### **3.2.1. Instruments for effective monitoring (own production)**

“Own production” is the production in all factories that manufacture products which are commissioned by the FWF affiliate, directly or through an agent or other intermediary, normally to the design of the FWF affiliate. So-called private labels are included here.

“Own production” is distinguished from “external production”, which consists of products which the FWF affiliate does not commission itself, but which it buys from another company, like a brand company. If the affiliate is in direct contact with the factory, placing orders directly, the factory falls under own production, even if payments are made to an agent or other intermediary. The required approach towards suppliers falling under the denominator ‘external production’ is explained under 3.2.2 External production.

Because of the direct influence on the suppliers of own production, the affiliate has the responsibility to work with the supplier to implement the Code of Labour Practices. The different instruments that can be used to effectively monitor suppliers are described in more detail below.

#### ***Questionnaire for suppliers***

FWF provides a model letter with which suppliers are informed about FWF membership and the implications for the supplier. The Code of Labour Practices is annexed to this letter (see 3.4 Training and capacity building).

Also annexed to this letter is the FWF questionnaire for suppliers. By filling out and signing the questionnaire, manufacturers confirm that they accept the labour standards and are prepared to work towards implementation. In addition, the questionnaire is a tool to gather information that is required to fill in the supplier register. The affiliate should send a copy of the filled-out questionnaire to FWF.

If a supplier refuses to return the signed questionnaire, the FWF affiliate contacts the supplier, to ascertain that the meaning of the document is well understood. If the supplier persists in its refusal, the affiliate will have to, in the final instance and after consultation with FWF, disengage from this supplier.

#### **Questionnaire for suppliers**

By signing the questionnaire suppliers also agree to the following:

- Informing their employees about the labour standards and the process of monitoring and remediation. This will be done, among other means, by displaying information in the workplaces. This information shall be provided by the FWF affiliate. For countries where FWF is active, it provides an information sheet for workers describing the Code of Labour Practices in the appropriate languages. During audits there is a check as to whether workers have been informed about the labour standards and workers will receive the information sheet.
- To co-operate fully when factory audits are carried out in the factories.
- To acknowledge the FWF complaints procedure, by allowing information about the procedure to be distributed in the factory among other means, and to cooperate when FWF is handling complaints pertaining to the supplier.
- Inform and consult the workers about corrective action plans that may ensue from audits or complaints in a way that is in line with existing communication and consultation practices in the factory. A factory union or workers' representative within the factory participates in the exit interview with the management.

## ***Audits on behalf of the FWF affiliate***

Factory audits which meet the quality standards laid out below shall be a central element in the monitoring programme. Chapter 2 of the FWF Audit Manual stipulates the requirements audit teams must comply with. The Audit Manual also describes how audits must be carried out. For FWF this method of auditing is not the only acceptable way of working. However, the quality level implied in the Audit Manual is the required standard for assessing the FWF affiliates' audit programmes. Critical issues are the ways in which worker interviews are performed, and how local stakeholders are involved in the processes of auditing and improvement.

### ***Working with FWF audit teams***

In the production countries where FWF is active, FWF recruits and trains local audit teams. These teams are established primarily in order to conduct factory audits on behalf of FWF as part of the verification process. However, FWF affiliates are encouraged to hire these teams to conduct factory audits on their behalf.

The steps to take when doing audits with FWF teams are laid down in the document 'Terms for audits by FWF audit teams'.

FWF strongly encourages its affiliates to share information and expertise and aims to avoid double audits. Therefore FWF facilitates shared audits in factories where two or more affiliates source production.

### ***Collecting existing audit reports***

In order to obtain as much information as possible regarding the implementation of the labour standards in each factory producing for them, FWF affiliates should try to obtain the results of audits that have already been carried out at the factory on behalf of others. The questionnaire contains a question to this purpose. Affiliates can, as a first step, start improving working conditions in cooperation with a supplier, by jointly formulating a corrective action plan based on reports of previous audits. Factory audits which are carried out on behalf of the manufacturer, another buyer or another verification organisation can also be counted for achieving the thresholds mentioned above if the following requirements are met:

- The audit methodology meets the quality level that is acceptable to FWF (see page 14);
- The audit must have been conducted in the previous 12 months;
- The FWF affiliate has obtained the full audit report and discussed it during a visit to the factory. The affiliate reports on the corrective actions that are implemented thus far and agrees on a corrective action plan for further improvements with the supplier. In case the audit was conducted on behalf of another buyer, the FWF affiliate takes the initiative to work together with that buyer to strengthen each others' activities to achieve improvements. All documentation shall be submitted to FWF.
- The Code of Labour Practices must be put up in the workplace and workers must be informed about the FWF complaints procedure.

### **Work plan**

The work plan describes how and by whom factory audits are carried out. Basically there are three possibilities. In all cases, the FWF Audit Manual is to be taken as a guide for the required quality standard:

- Factory audits are carried out by staff of the affiliate. FWF can provide training to the affiliate's staff to (better) equip them for auditing.
- Factory audits are carried out by auditing firms.
- The affiliate chooses to deploy FWF audit teams.

FWF affiliates with their own auditing system can use their own procedures and audit teams, as long as verification activities by FWF prove they deliver good work. In this case, the FWF affiliate is responsible for training the auditors, and describes how this is done in the work plan. FWF is prepared to facilitate the exchange of knowledge and experience between the compliance staff of FWF affiliates and FWF trainers and auditors.

## **Audit quality**

Factory audits with a quality level acceptable to FWF shall be a central element in the monitoring programme.

FWF assesses the quality of factory audits in order to decide whether the audit counts towards the thresholds mentioned on page 11. To do so, FWF takes the following elements into account (list is not exhaustive, but illustrative, based on the FWF Audit Manual, which can be found on the FWF website):

- Audit team members must be knowledgeable of the local language and local labour relations and of local law and regulations in their respective fields of expertise; in addition, the auditors must have the social skills necessary to easily relate to the different parties involved and be able to understand their respective views; finally, they must be committed to improving labour conditions, be reliable, respect confidentiality and they cannot have any other formal or informal relation to the factory that is being audited, in order to avoid conflicts of interest.
- Auditors shall base their analysis regarding compliance with labour standards on different sources of information, including: interviews with management and staff, interviews with workers, review of documents, especially those regarding employment, salaries and working time, and an inspection of the workplace and factory environment. For each labour standard, detailed findings of the different sources of information should be included in the audit report. The auditors shall also take into account the FWF country studies, which are, among other things, based on information from interviews with local stakeholders such as trade unions, NGOs, business associations and local authorities. Auditors must be familiar with the FWF Audit Manual.
- The audit report should include who conducted the audit and explain the auditing process. It should include the complete address of the factory, owners of the company, the number of workers divided by gender and department. The report should also list other clients who source from this factory, previous audits and sub-contractors.
- The factory visit should begin with an introductory meeting with representatives of the management to explain the purpose and to get management on board of the process of monitoring and remediation.
- Due to the diversity of skills needed to deal with the different sources of information, but also for reasons of good governance, the number of auditors and skills and backgrounds represented is one of the factors taken into account.
- Interviews with workers, conducted in- and outside the factory premises, are a central source of information. Worker interviews should be conducted by a person who is trusted by them, on a confidential basis, without management knowing which workers were interviewed, and in an environment where workers feel safe.
- In its report, the audit team shall formulate conclusions and additional requirements with respect to every labour standard. The team will discuss these with representatives of the management and, when possible, worker representatives during an exit meeting. Based on audit outcomes the FWF affiliate and the manufacturer agree on a corrective action plan. The supplier should receive a copy of the audit report.

### ***Factory visits by FWF affiliate representatives***

A representative of the FWF affiliate should visit factories producing for the FWF affiliate to check whether or not the information sheet for workers is properly displayed in the workplace. In addition, he or she should systematically discuss the state of affairs with regard to the labour standards in the Code of Labour Practices with the factory management. He or she should report all his or her observations with regard to this issue. Where possible, he or she should take pictures to support the observations and pass on the information to the FWF contact person within the FWF affiliate company.

#### **Work plan**

In the work plan, affiliates should make clear which staff members are responsible for what part of the monitoring activities. Do agents and other intermediaries play a role in the monitoring activities?

It is also important to describe when and by whom the factories are visited. Are the staff members or agents who visit the factories in a position to discuss audit results and agree on the execution of corrective action plans with factory management?

Finally, FWF would like to know how and to whom staff members report about the monitoring activities.

### ***Monitoring instruments in low risk countries***

Factories in so-called “low risk countries” do not need to be audited, but must even so be part of the monitoring programme.

All present member states of the European Union except for Bulgaria and Romania (that is 25 member states) as well as the member states of the European Free Trade Association EFTA (Iceland, Liechtenstein, Norway and Switzerland) are considered to be “low risk countries”.

Low risk countries are determined by the presence and proper functioning of institutions such as trade unions, worker committees, labour legislation and labour inspection, which can guarantee compliance with basic standards.

In addition, FWF may classify further production countries (or specific regions within production countries) in this category. FWF assesses whether there are justifications for adding or deleting countries or regions from the list of “low risk countries” by commissioning country studies.

Currently, there are problems regarding compliance with labour standards in some “low risk countries”. This is particularly the case where production takes place in the “informal sector” and where migrant workers, often from Asian countries, are employed, sometimes illegally. FWF affiliates must be aware of the possibility of such situations.

#### **Work plan**

Regarding the production in “low risk countries” (or regions) the affiliates’ work plan should contain a specific monitoring plan including the following features:

- The factories have filled out and sent back the questionnaire.
- They have informed their employees about the labour standards and possible remediation.
- The FWF complaints procedure must be known.
- The issue is systematically raised in the course of visits by representatives of the FWF affiliate.

Suppliers in low risk countries must be informed of FWF membership and its implications by the FWF affiliate. The information sheet for workers must be posted in the workplace. In addition, management must return the completed questionnaire and possibly perform a self-assessment. All suppliers must be visited by a representative of the FWF affiliate. FWF informs local trade unions about the factories that produce for FWF affiliates and involves them in the complaints procedure. If the above conditions are met then production from "low risk countries or regions" can be counted within the thresholds mentioned on page 11.

The recognised trade unions in the garment industry are given the names of "FWF suppliers" in their country (without revealing the names of the relevant affiliates) and are asked whether they know of any problems at those factories. They are also alerted to the possibility of using, should problems occur in the future, the instruments offered by FWF. The Code of Labour Practices, which has to be posted in the factories, will state the contact information for complaints and addresses of the trade unions and of the labour inspection or relevant NGOs. This enables workers to submit complaints through local channels.

If any of these monitoring activities raise doubts with regard to compliance with labour standards, the affiliate should arrange for an audit to be carried out.

### ***Countries where FWF is not active***

In countries where FWF is not (yet) active FWF affiliates are also obliged to regularly monitor the labour conditions in the factories of their suppliers and to reach the threshold mentioned on page 11.

With regard to countries where FWF is not (yet) active the affiliate shall take a number of additional steps:

- Arrange translations of the Code of Labour Practices in the local language(s) to inform the workers in all factories producing for the affiliates. Workers shall be informed about the FWF complaints procedure. In countries where FWF is not active, FWF's special email address for receiving complaints will be made known: [complaints@fairwear.nl](mailto:complaints@fairwear.nl).
- Based on the information received from its affiliates (a.o. through their social reports), FWF periodically evaluates whether it shall become active in any particular country where goods are being manufactured on behalf of FWF affiliates. In this context FWF may also work together closely with other multi-stakeholder verification initiatives, in particular FLA, in order to profit from synergies and to avoid duplication of work.

Countries where FWF is not (yet) active differ from countries where FWF is active with regard to the following subjects:

- Complaints are not received via the local complaints handler of FWF.
- FWF cannot provide a country study about the country. When affiliates produce in such countries, however, they should try to collect information and reports from reliable sources, such as counterparts of the organisations who are represented in the board of FWF and organisations such as ILO, Amnesty International, ITUC, Human Rights Watch etc. If necessary, they can consult with FWF on the best course of action.
- FWF affiliates cannot acquaint themselves with the outcomes of FWF's consultations with local organisations in countries.
- FWF affiliates cannot hire trained FWF audit teams for their audits. FWF affiliates should therefore train their own compliance staff or make use of auditing firms for factory audits.
- In countries where FWF is not active, no audits on behalf of FWF will be carried out as part of the verification activities for FWF affiliates.

### **3.2.2. External production**

As a rule, all suppliers of the FWF affiliate must be monitored. In the case of suppliers of external production the FWF affiliate usually does not know the factories where the products were manufactured or is not in direct contact with them. In that case, the FWF affiliate does not carry out audits, but must instead use the following instruments in order to progressively achieve compliance with labour standards.

#### ***Questionnaire for suppliers of external production***

As is the case for own production, the first step in the monitoring process (see 3.4 Training and capacity building) is to inform all suppliers of external production that a company has adopted the FWF Code of Labour Practices and what the implications of this step are for the supplier. This must be done in writing within three months after a company has become an affiliate of FWF.

FWF provides a model letter with which suppliers of external production are informed about the company's affiliation with FWF and the implications for the supplier. The FWF affiliate communicates to its suppliers that from now on, having an acceptable labour policy in the supply chain, including independent verification thereof, will be a criterion for selecting suppliers. The Code of Labour Practices is annexed to this letter.

Also annexed to this letter is the FWF questionnaire for suppliers of external production. With this questionnaire the supplier is asked if he endorses the FWF affiliate's Code of Labour Practices. In addition, the supplier states whether he has a code of conduct of his own and whether he is member of, or works with, any other organisation for the monitoring or verification of the implementation of his code of conduct. The supplier is also asked what proportion of his turnover is made through trade with the FWF affiliate and he is requested to list the countries where the products he is selling to the FWF affiliate are produced.

If a supplier of external production refuses to return the signed questionnaire, the FWF affiliate contacts the supplier, to ascertain that the meaning of the document is well understood. If the supplier persists in his refusal, in the final instance, the affiliate will have to, after consultation with FWF, disengage from this supplier.

#### ***Collecting existing audit reports***

In order to obtain as much information as possible regarding the implementation of the labour standards in each factory producing for them, FWF affiliates should try to obtain results of any audits that have already been carried out at the factory on behalf of others. The questionnaire contains a question to this purpose. As a first step, FWF affiliates can start improving working conditions in cooperation with a supplier, by formulating a corrective action plan based on reports of previous audits.

#### ***Meetings with supplier representatives***

It should be a standard procedure that every company representative who meets with a representative of a supplier of external production systematically follows up on the questions mentioned above. Does the supplier have a code of conduct of his own? Is he or she member of any other organisation for the monitoring or verification of his or her code of conduct? Or does he or she work with such an organisation? The FWF affiliate's representative should also systematically ask whether any problems have arisen regarding the implementation of the labour standards. He or she should note all the observations of the supplier with regard to this issue and pass the information on to the FWF contact person within the affiliate company.

### **Requirements for FWF affiliates with regard to suppliers of external production**

Just as for own production (see page 11), the FWF affiliate must also achieve certain quantitative goals concerning acceptable labour standards and monitoring with regard to its suppliers of external production listed in the supplier register.

With regard to suppliers of external production the following is regarded as acceptable by FWF:

- a) Suppliers who are member of FWF.
- b) Suppliers who can demonstrate to the FWF affiliate that they work together with their suppliers to uphold the Code of Labour Practices. The factories where the goods are produced shall be audited in accordance with the FWF quality criteria mentioned earlier (page 14, inset on audit quality) and progressively work towards compliance with the labour standards.
- c) FWF staff can decide on the acceptability of other suppliers' code of conduct implementation system on a case-by-case basis.

The FWF affiliate fills this information into the supplier register (see 3.5.1 Supplier register) and records which part of the total value of production sourced from these suppliers can be considered as acceptable. The following thresholds must be achieved:

- o By the end of the first year – or, if the membership begins during the second semester, by the end of the first full calendar year – 40% (measured against its value) of the external production must have originated from acceptable suppliers.
- o By the end of the second year of membership a threshold of 60% must be reached.
- o And by the end of the third year 90% of the external production must have originated from suppliers which have been covered by the monitoring programme of the affiliate.
- o Within the remaining 10% of external production suppliers of who supply 2% or more of the total turnover of external production, must also be acceptable as of the third year.

After the third year, all or nearly all suppliers of external production should thus have acceptable policies. One way of achieving this is for the affiliate and FWF to actively recruit new affiliates among those suppliers.

### **3.3. Complaints procedure**

The FWF complaints procedure allows workers, their representatives and other parties to file complaints about working conditions and the way the Code of Labour Practices is implemented in factories producing for FWF affiliates.

#### **Work plan**

In the work plan, FWF affiliates should specify who in the company is responsible for dealing with complaints. What position does this person hold? Is this person in a position to negotiate on a corrective action plan with the supplier?

The FWF complaints procedure is intended as a safety net: ideally, the factory has its own procedure for grievance handling in place. In case it has not, however, or if the existing complaints procedure does not function properly, workers or their representatives can use the FWF procedure. Establishing a proper grievance handling mechanism at the factory level will in that case be a central element of the corrective action plan that results from the remediation of the complaint.

To ensure that factory management and workers know about the complaints procedure and how to access it, the FWF affiliate informs them through the standard information sheet they post in the factory and which is also handed out during audits. The affiliate also raises the issue during factory visits and while presenting the corrective action plans.

If a complaint is filed and deemed admissible by FWF, the relevant FWF affiliate(s) will be contacted. FWF investigates the complaint. Where necessary the affiliate and supplier redress it through a corrective action plan. More details can be found in the FWF Complaints Procedure.

### 3.4. Training and capacity building

To effectively implement the FWF Code of Labour Practices, staff, agents, suppliers and factory workers should be informed about the implications of the code for their work.

#### **Staff of the FWF affiliate**

All employees of the FWF affiliate shall be informed about the FWF Code of Labour Practices and the way the company works with it.

Employees are informed according to their needs. Some suggestions:

- a) Organise a workshop with management and employees who are responsible for carrying out the work plan. The workshop should provide information about FWF and discuss the state of affairs concerning implementation of the Code of Labour Practices;
- b) Include the Code of Labour Practices in internal training programmes;
- c) Report on working with the Code of Labour Practices through an internal newsletter/ company magazine;
- d) Inform all staff about the annual evaluation and the goals that are set for the following period.

#### **Work plan**

The FWF affiliate explains in the work plan which business functions exist among their employees, how these groups are involved with various aspects of the implementation of the Code of Labour Practices, and which type of information every group needs, how much and how often this needs to be updated. In this context special attention should be paid to the following business functions:

- a) buyers (merchandisers), in contact with the suppliers;
- b) product managers;
- c) persons responsible for quality control;
- d) persons responsible for sourcing
- e) persons responsible for design/development
- f) marketing and sales persons;
- g) PR staff;
- h) managers.

#### **Suppliers**

The first step in the monitoring process is to inform all suppliers – both of own production and of external production – on the implications of the company's FWF membership for its suppliers. This must be done in writing within three months of the company becoming affiliated to FWF. In addition to sending the questionnaire with its cover letter, affiliates should discuss these topics during factory visits.

#### **Work plan**

The FWF affiliate describes in the work plan which activities will be undertaken to inform agents and suppliers about the implications of FWF affiliation and the Code of Labour Practices.

The affiliate also describes in which factories they plan on organising factory training in cooperation with Fair Wear Foundation and its local partners.

Whenever the FWF affiliate contacts a new supplier, this new supplier must also be informed on the implications of FWF membership. Before starting production for the FWF affiliate, the supplier must confirm that the labour standards are accepted. The supplier must also affirm its commitment to work towards full implementation.

If the FWF affiliate uses the services of

agents, buying offices, or otherwise contracts out the buying or the supervision of it, the employees of these agents and offices will be included in internal education and training schemes.

After audits are carried out, the ensuing corrective action plans should be discussed with management and reported on. In addition, affiliates may organise workshops or make their own supplier manual.

### **Workers**

All factory workers should be informed about the labour standards and the process of monitoring and remediation. FWF provides an information sheet containing the Code of Labour Practices. For countries where FWF is active, contact information of FWF's local complaints handler and information about relevant local organisations (unions, NGOs etc) that can support workers in resolving problems is mentioned on the information sheet. FWF provides the information sheet in the appropriate languages.

Affiliates should make sure that the information sheets are displayed in the factories. During factory audits, FWF checks whether workers have been informed about the labour standards and workers will receive the information sheet.

In order to further communication between employers and workers in the workplace, FWF promotes factory training programmes. To this end, FWF works with local stakeholder organisations on developing training capacity. Such an approach more often leads to a sustainable result. Through training, workers can be involved in the process of monitoring and remediation. Thus, when an affiliate engages in a factory training programme developed by FWF and its partners, the factory in question counts towards the affiliate's achievement of the threshold as mentioned on page 11.

## **3.5. Information management**

### **3.5.1. Supplier register**

The supplier register is an integral part of the work plan. It lists all the FWF affiliate's direct or indirect suppliers<sup>1</sup> of products falling under the scope of the FWF Code of Labour Practices for a specific period, usually the last calendar year. Before a company can become a new affiliate of FWF it must have drawn up a complete supplier register, using the excel sheet provided by FWF. The affiliate's supplier register is treated confidentially by FWF – though of course the FWF affiliates themselves are free to publicise them if they wish to do so.

The FWF affiliate's management system should ensure that the information in the supplier register is kept up-to-date.

Some requirements for this management system are:

- There are written instructions for employees who collect the data; they know in which form, when and to whom they should forward the data;
- New suppliers are introduced to the register as soon as business is started with them, and suppliers with whom the FWF affiliate no longer works are promptly marked as inactive;
- The register is updated at the beginning of each production season;
- All production locations at which garments are produced for the FWF affiliate are included in the register, as well as all intermediary traders and agents. In case of an agent who places

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<sup>1</sup> FWF defines the term "supplier" as follows: Suppliers, sub-contracted suppliers, licensees, and sub-contracted suppliers to licensees, who are engaged in cutting, sewing, embroidering, knitting, ironing, marking, packing, or other preparation of products falling under the scope of the FWF Code of Labour Practices. See FWF charter.

orders at factories, the agent has to provide the data for all factories where the production will possibly take place.

FWF encourages its affiliates to mention the names of agents and suppliers in the public social report. If the affiliate chooses not to do this, it should consistently number the suppliers in the work plan so as to allow FWF to trace the suppliers in the social report.

The supplier register is divided into two parts.

1. The **factory register** lists all factories that manufacture products which are commissioned by the FWF affiliate, directly or through an agent or other intermediary, normally to the design of the FWF affiliate. So-called private label companies are included here. FWF also refers to the production by such suppliers as own production. The factory register is used by FWF and the affiliate to keep track of all monitoring activities carried out by the FWF affiliate at the factory. This includes the sending of a questionnaire, the gathering of workers information, audits, visits by company representatives, the handling of possible complaints and corrective actions.
2. **Suppliers of external production:** "External production" refers to those products which the FWF affiliate has not commissioned directly from factories, but which it has sourced from another (brand) company. These products are designed by and produced on behalf of this other company and usually don't carry (one of) the brand name(s) of the FWF affiliate.

For special provisions regarding subcontractors and small scale suppliers, see the FWF Subcontracting policy. Also subcontractors shall be included in the factory register.

### The supplier register

For FWF as well as its affiliates, it is important to be aware of each supplier's relative importance to the FWF affiliate, and of the relative importance of the affiliate to each of his suppliers. A company, for example, that sources only 2 percent of the total production capacity from a factory will usually have less leverage with that factory than a company that sources 50 percent of the production capacity.

By the same token, a factory that produces only 2 percent of a company's turnover is not as important as a factory responsible for a larger part of the annual turnover, and will probably be lower on the priority list for monitoring activities. The same goes for suppliers of external production.

Thus, FWF affiliates are asked to enter into the factory register the FOB value and share in the percentage of the affiliate's total production at each factory during the previous 12 months (relative importance of the factory to the FWF affiliate). In the register for suppliers of external production, this concerns the total purchase or buying value and share in the percentage of the FWF affiliate's total purchases at each supplier during the previous 12 months.

The FWF affiliate's relative importance to a supplier is to be obtained from the questionnaire. Affiliates should enter in the supplier register the share in the percentage of the supplier's total annual production which is produced for the FWF affiliate.

### 3.5.2. Documents to be archived

The company draws up a list of documents that are relevant for the implementation of the FWF Code of Labour Practices. For every document the list specifies:

1. whether it needs updating, when and by whom; and
2. for how long and where it will be archived.

The list of archived documents includes at least:

- a) materials used in internal and external communication;
- b) the register of suppliers (updated at least at the beginning of each production season);
- c) questionnaires filled out by suppliers;
- d) correspondence and minutes of meetings with suppliers regarding the labour standards and the labour situation;
- e) reports of factory audits at suppliers;
- f) corrective action plans agreed with suppliers (can be included in audit reports);
- g) annual work plans and social reports.

#### Work plan

To gain insight in the actual progress made, it is important that FWF affiliates document the implementation of corrective action plans and make this documentation available to FWF (for example through the social report). In the work plan, therefore, affiliates should outline how they will document progress on corrective action plans and who is responsible for this.

The same is true for the implementation of the Code of Labour Practices in general.

To allow buyers/product managers to make informed sourcing decisions, moreover, information on corrective action plans, social compliance at suppliers and other information relevant to sourcing decisions should be readily accessible to buyers and product managers.

The documents mentioned above must be made available for inspection by FWF, for instance during management system audits. For these documents, the minimum archiving period is five years.

### 3.6. Transparency

FWF affiliates are increasingly called on by consumers and the general public to be accountable and transparent about the way their products are made. FWF guarantees to the public that companies affiliated to FWF make sufficient efforts and obtain sufficient results towards the implementation of the Code of Labour Practices.

Transparency is a governing principle of FWF; it implies transparency about FWF's policies, country strategies, activities and methods, the performance of the FWF affiliates and a complaints procedure that is accessible to stakeholders.

FWF affiliates annually publish a social report in which they describe the results of their activities towards better labour conditions along their supply chains. In its turn, FWF publishes the results of the yearly management system audits at its affiliates. This is a way for stakeholders and consumers to assess what has been achieved. FWF respects the confidentiality of business data. Business data obtained in the process of verification other than those mentioned above will be kept confidential.

## **Social report**

Each FWF affiliate annually reports progress in implementing the Code of Labour Practices. It is obliged to submit a “social report” in which it describes how it has implemented the previous year’s work plan.

The affiliates’ social reports are not treated confidentially, as they are an important tool in communicating the FWF affiliates’ efforts towards fair labour standards. They are published by both FWF and the affiliate, who at least puts it on its website.

FWF provides a format which can be used to fill out the social report.

A social report contains at least the following information:

- a) the name and brands of the company;
- b) the countries where the company’s garments are produced and the number of factories per country;
- c) a description of how the factories were monitored;
- d) how many factories were audited during the last year and in which countries they were located;
- e) for each country, which were the most important findings of the audits, other forms of monitoring and which improvements were agreed;
- f) any complaints received and how they were dealt with;
- g) the outcome of corrective action plans agreed in former years;
- h) FWF’s verification activities: audits, complaints processed and management system audits.

### **3.6.1. External communication**

FWF affiliates have a wide range of possibilities for external communication with regard to their FWF membership. For example:

- on their websites;
- in printed or electronic internal and external newsletters;
- in printed information and promotional materials like flyers and brochures;
- in catalogues and product advertisements;
- in films;
- on their letterheads & business cards;
- as information accompanying their products (see below).

Every FWF affiliate must at least make its FWF membership public on its website. FWF provides standard texts regarding FWF and what FWF membership entails for its affiliates.

#### ***Using the FWF claim***

In order to uphold credibility of FWF and consequently its affiliates, FWF has laid down rules regarding the use of FWF membership and the FWF logo in external communication by its affiliates. It is of vital importance that any claims which are made in connection with FWF and its logo are correct and verifiable.

The basic claim that FWF makes is that its affiliates are making sufficient efforts and are achieving sufficient results towards improving labour conditions in the facilities where their goods are being produced. They do this by implementing the FWF Code of Labour Practices and by letting FWF verify this implementation as an independent multi-stakeholder verification initiative.

FWF does not make the claim that all products of all its affiliates are being produced under full compliance with the labour standards, as this is generally not (yet) the case. However, FWF does guarantee that its affiliates are working hard in this direction in a step-by-step manner.

It is important that FWF affiliates avoid making any claims which they themselves or FWF cannot warrant. More particularly, companies should avoid making any claims implying a connection between FWF membership and the characteristics of a specific product, as FWF is not a product label. The assurances FWF makes concern the efforts and results of its affiliates towards the implementation of the Code of Labour Practices. They do not concern the provenance of those companies' specific products. Thus, it is not allowed to make any statements such as "this garment is 100% fair wear".

### **Work plan**

In the work plan, affiliates should lay out how FWF membership is communicated externally (providing where possible the materials used).

- How is membership posted on the affiliates' website?
- Is the social report published on the affiliate's website?
- What groups are targeted in the affiliate's external communication?

### **Rules regarding use of the FWF logo**

The following rules apply to FWF affiliates:

- All communication statements issued by affiliates must refer to membership in relation to the company policy only. FWF membership may not be mentioned as part of the characteristic of a garment. In addition, affiliates must clarify in the communication statement that the company is working on a step-by-step improvement of the labour conditions.
- Use of the Fair Wear Foundation (FWF) name and logo is subject to prior written approval from FWF.
- The name of the foundation is "Fair Wear Foundation" and its abbreviation "FWF". Only these two expressions may be used.
- When an FWF affiliate has reached the threshold where 60% of its own production originating in factories which have been monitored (or from factories in "low risk countries"), as is required by the end of the second year of FWF membership (see page 11), it is allowed to use hang-tags and labels in, on (printed) or attached to all clothing, provided one of the texts below is used:
- Fair Wear Foundation guarantees that [name of affiliate] makes sufficient effort to improve labour conditions along the supply chain. See [www.fairwear.org](http://www.fairwear.org)
- [name of affiliate] is an affiliate of Fair Wear Foundation. See [www.fairwear.org](http://www.fairwear.org)

The following rules apply with regard to external communication of FWF membership by third parties, i.e. clients of FWF affiliates:

- Communication regarding FWF membership by third parties (clients of affiliates) in any way, shape or form is subject to the company using the following text: [name of affiliate's client] purchased from [name of affiliate] or: [name of affiliate's client] works with [name of affiliate].

Followed by:

- Fair Wear Foundation guarantees that [name of affiliate] makes sufficient effort to improve labour conditions along the supply chain. See [www.fairwear.org](http://www.fairwear.org)
- [name of affiliate] is an affiliate of Fair Wear Foundation. See [www.fairwear.org](http://www.fairwear.org)
- Communication regarding FWF membership by third parties is subject to prior written approval from FWF at all times.
- FWF reserves the right to take legal action against abuse of the Fair Wear Foundation (FWF) name and logo and the incorrect provision of information regarding FWF by third parties.
- The use of hang-tags or labels by third parties is not allowed.

### **3.7. Management system evaluation and improvement**

The implementation of the Code of Labour Practices is a step-by-step process. This means that affiliates are expected to gradually develop an effective management system to implement the Code of Labour Practices and strengthen their approach year by year. The conditions in the factories will not become perfect overnight. Therefore, the management of the affiliate is expected to critically review the effectiveness of the activities conducted in the previous year, revise them where necessary and define the next steps, which then translate into next year's work plan. Such an evaluation shall as a minimum include the following topics:

- Achievement of the objectives set with regard to:
  - information and training
  - external communication
  - informing the suppliers
  - the monitoring process
  - the execution of corrective action plans
  - the sourcing strategy
- Assessment of the sufficiency of available resources within the affiliate company (financial, human);
- Feedback to FWF about the cooperation and support.

The outcome of the evaluation is recorded in writing; reports are made available to FWF.

## **Annex: overview of documents available from FWF**

The following documents can be found on the FWF website (under 'resources') or requested from FWF by e-mail (info@fairwear.nl).

- Audit manual
- Charter
- Code of Labour Practices
- Country studies
- Financial Terms for Service Providers to FWF or its affiliates.
- Format social report
- Format work plan
- Membership fee table
- Model letter to suppliers
- Policy papers:
  - FWF Code standard on Freedom of Association
  - FWF Complaints procedure
  - FWF Living wage policy
  - FWF Low risk policy
  - FWF Subcontracting policy
  - FWF Gender policy
  - FWF Legal vs Code requirements
- Questionnaire
- Terms for audits by FWF audit teams