



Annual Social Report 2008

SECON  
GROUP

ARROW  
→

**TURNOVER**

● anotherwoman

**CREENSTONE | ©**



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## **1. Summary**

### **1.1 Names of companies and brands**

Secon Group B.V. Puts following brands on the market:

- Arrow
- Turnover
- Another Woman
- Greenstone

Production in the Far East is being co-ordinated by Secon Far East Limited.

### **1.2 Startdate of the FWF membership**

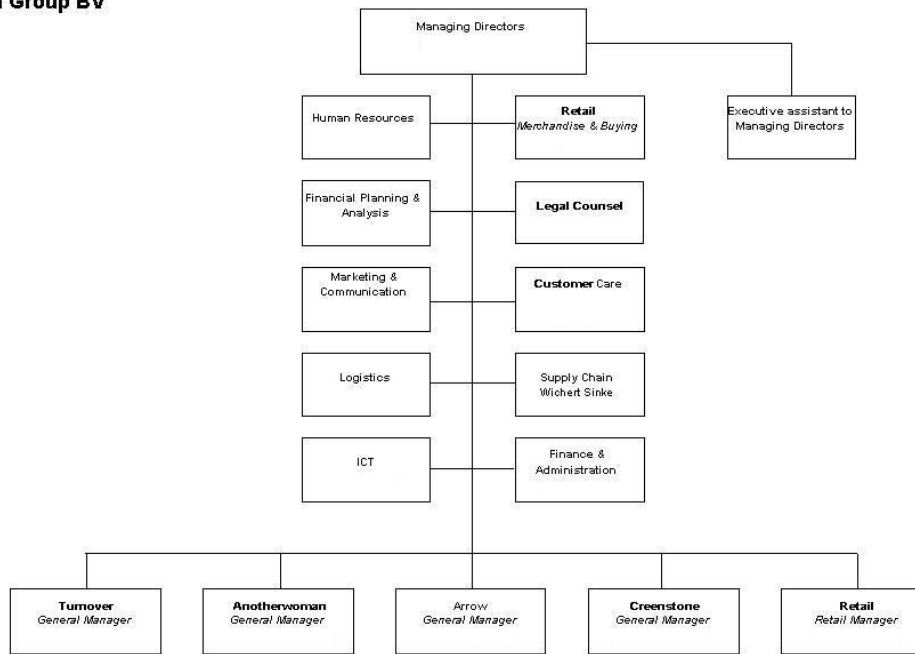
March 2008

### **1.3 Annual turnover in 2008**

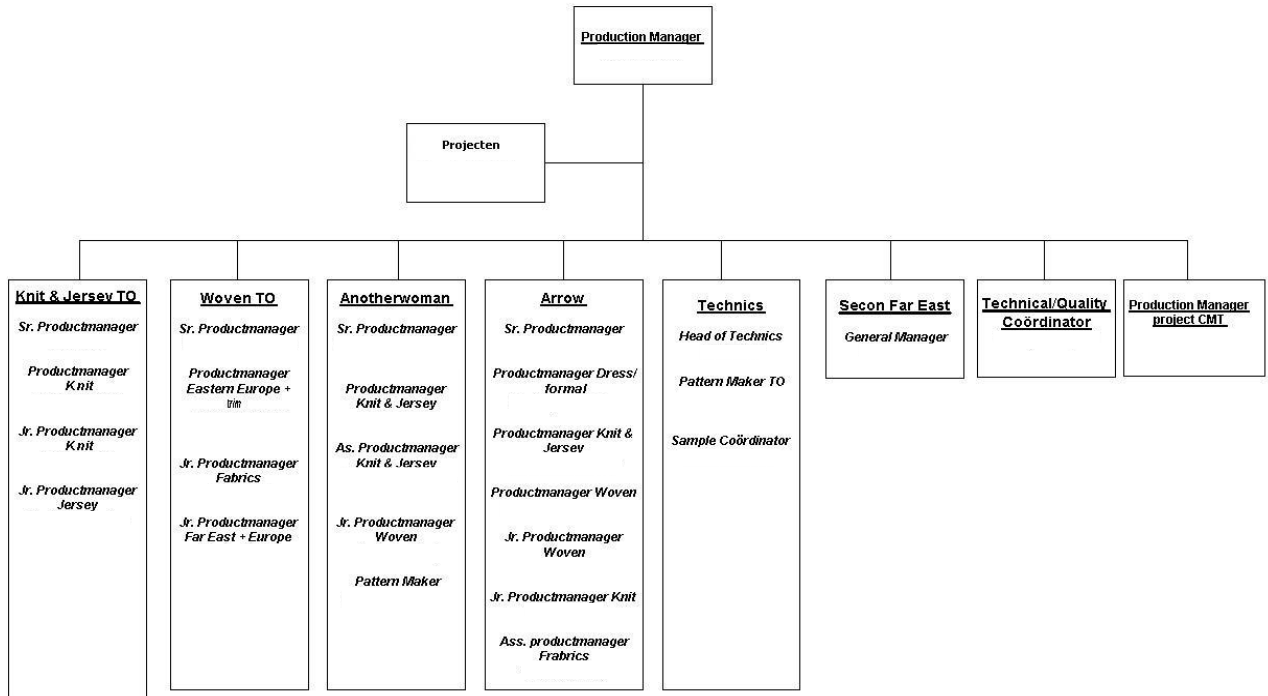
68,5 million Euro

## 1.4 Organigram

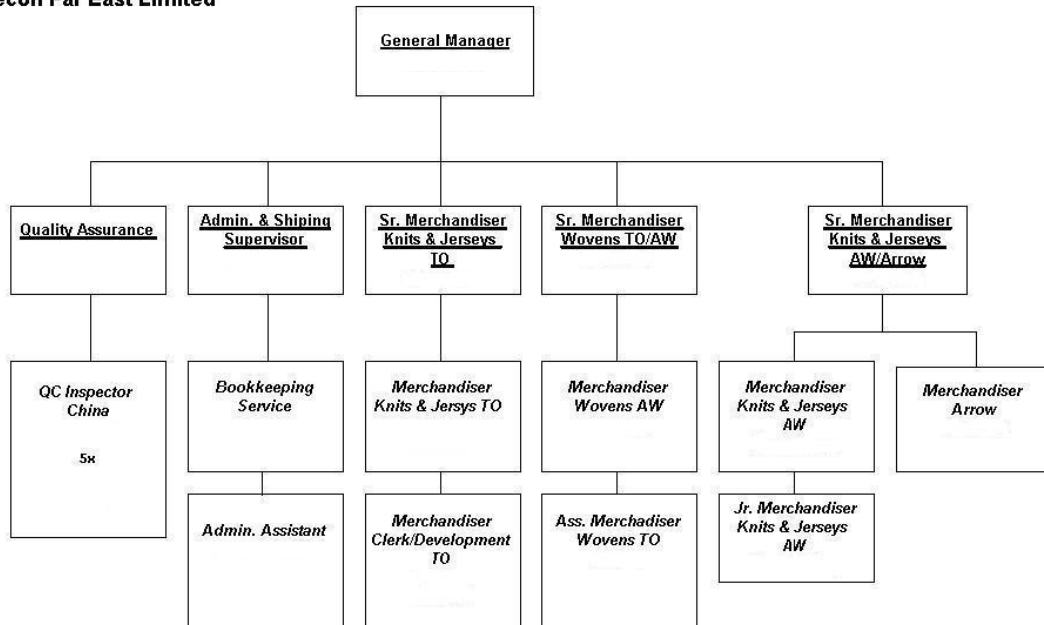
### Seco Group BV



**Supply Chain Women's-/Mens wear**



**Secon Far East Limited**



Policy formulation & work plan:  
 Sourcing policy:  
 Monitoring & execution of corrective action plans:

Project manager  
 Supply Chain manager  
 Project manager

Internal education & training:  
External communication:  
Factory register:  
Evaluation & annual social report:

Project manager  
Project manager  
Project manager  
Supply Chain manager

### **1.5 Targets of 2008**

Looking back at 2008 as being the startup year for implementing the FWF code of conduct, we can fairly say that there has been a steep learning curve. We made numerous efforts such as following courses and education a newly hired compliance manager based in Hong Kong to audit our Far East suppliers. We started a project with students of the Amsterdam Fashion Institute. They have developed with us an audit manual on occupational health and safety. We have send questionnaires to the suppliers. We planned to do 3 to 5 audits in China in 2008. During the year we were only able to perform 2 audits due to the fact that our compliance manager resigned. Currently we are in full search for a new compliance manager based in Hong Kong.

### **2. Basic compliance to the FWF membership**

Secon has paid the FWF membership fee for 2008.

Secon has delivered a final workplan for 2009 by December 2008.

In February 2009 Secon will provide FWF with an accountants-statement for the supplier register of 2008.

### **3. Sourcing**

#### **3. The Buying department**

Around 20 product managers and the Buying department at Secon Far East (20 people) are involved in sourcing decisions. Please mention number of involved staff. The Product manager takes the final decisions on sourcing. He / she is responsible for the whole production (the quality, prices and deliveries). So he / she has to make the final decision.

Product managers are assessed on their professional capacities, their commitment and on formal performance criteria (KPI's):

The Supply Chain Manager, is responsible for sourcing decisions and for policy formulation with regard to the implementation of the code of conduct. As soon as Secon Group wants to start with a new supplier a special 'New Supplier Questionnaire' (see appendix 1) has to be filled in. The Supply Chain manager must sign this filled in questionnaire. All information about the new supplier goes into the ERP-system and will be passed through to the responsible person that registers all the supplier information.

Dave Tromp, the Project manager, will be responsible for the register of suppliers and the work plan. He will monitor the suppliers for social compliance, so that the Product managers can focus on product development and production in partnership with the suppliers.

The auditor SFE will be responsible for documenting and archiving questionnaires filled out by all suppliers, correspondence and minutes of meetings with suppliers regarding the Code of Labour Practices, audit reports, corrective action plans agreed with suppliers and for the annual social report. The auditor SFE will make an overview with all the above information about the suppliers. This overview will be send to the SFE manager and Supply Chain manager every month. The auditor SFE will discuss the action plans with the SFE manager.

Secon Group works with agents in a number of low risk countries. The agent is just a contact person between Secon Group and some factories. The agent decides at which factory, which

article will be produced. With other matters the agent is not involved. We have a very good relationship with our agents. They would and will inform us about missteps in the factories.

### **3.2 Production cycle**

The brands Another Woman, Arrow and Turnover have 4 collections per year. Creenstone has 2 collections per year. The supplier will get all dates mentioned in the calendar (see appendix 2) at the beginning of every season. As soon as Sales projections are clear the orders are given to the suppliers. The final orders are given at a minimum of 8 weeks before shipment. The lead times are given by the suppliers at the moment of proto making. So in this early stage it's known if an article can be planned in the first delivery or not. The supplier gives the lead times on grounds of the delivery times of the material and trims, the colouring and the production time.

All orders are followed in a workflow document, which allows us to easily foresee possible delays in deliveries, so we can take corrective action in time without running the risk of pushing suppliers to work extensive overtime in order to finish late started production in time. We intend to implement a vendor rating system, which will enable us to objectively discuss delivery performance with our suppliers.

### **3.3 Sourcing strategy**

Key to our sourcing strategy is that we aim to build a partnership with our suppliers. This leads to a secondary goal: reducing the amount of suppliers.

Secon Group believes that working with fewer suppliers makes the work easier but even more important it means higher orders per remained supplier. So more commitment for our products. Secon Group wants a partnership instead of a buyer/supplier relationship. The supplier reduction steps that were taken in 2008, are:

- 1 A geographical and quality/price mapping of all suppliers.
- 2 Detecting all similar suppliers.
- 3 With each of these suppliers we had a meeting discussing the ideas we had/have about producing and partnership.
- 4 Every supplier was graded by all issues like quality, prices, trustworthy and ability for partnership.
- 5 At last the decision was taken which suppliers we kept and with which we were going to stop.

This has been the goal in 2008 and will be the goal for the next three years to come. This is not an easy goal to achieve as we have four brands with extensive product lines. Therefore we seek to build partnerships with 15 to 20 suppliers that supply together 75% of our products. The other 25% will be retrieved from a pool of 60 to 70 different suppliers. Every season we will replace probably about 5 suppliers from this pool. Changes in our pool of main suppliers will take place more gradually.

Every brand makes price-categories every season. In these price-categories are mentioned the amount and kind of styles (pant, skirt, top or woven, knit) of every category. The Designers get this information before they start sketching so they keep this in mind when they are designing. Prices are then established on a per order basis and are negotiated by the productmanagers, while knowing and keeping in mind the price level of the production region. Our suppliers have their production mainly located in the following regions:

- Portugal
- Turkey and Eastern Europe
- China

## **4. Monitoringsystem and execution of improvement actionplans**

### **4.1 Coherence of the monitoring program**

Each supplier was informed in written on our code of conduct. Each supplier was initially evaluated on following points:

- High / low risk production region.
- Turnover share
- Other audits or certificates available.

Based on this, audits were planned.

The information needed was retrieved by means of questionnaires, social audits, visits to the factories of suppliers and via agents.

#### Questionnaires

A letter with the FWF questionnaire for suppliers and the 'Checklist for managers & staff interview' from the FWF Audit Manual was send to the suppliers. The questionnaire had to be signed and send back to Secon Group. In the suppliers overview it is noted from which supplier we received the questionnaire. If we didn't receive it back after 6 weeks we would send a reminder to the supplier. If we didn't receive it back then we would notice the supplier that he has to send it back within a week otherwise we would stop to continue the relationship.

#### Social audits

Since Secon Group has a Far East office where also quality control is taken place we are convinced it's the best way to employ an auditor ourselves. We found and hired a Compliance manager. Before this person started he / she got special audit/inspection training by FWF. At the first audits he/she was accompanied and advised by professional auditors of FWF. Unfortunately, the compliance manager resigned. Therefore we have been able to do only two audits. After the audits corrective action plans have been discussed with the factories by senior product managers during their visits at the factory. At every following visit progress concerning the action plan will be discussed at the factory.

#### Visits to the factories of suppliers

The intention has been that all buyers visit the factories 4 times per year. In China it wasn't always possible to visit all factories. Sometimes only the headquarters of traders in Hong-Kong were visited. However the quality controllers and merchandisers visited the factories very frequently. As a follow up on the Audit of one of our main producers in China one of our Senior Buyers made two extra visits just to discuss the needed improvements that were advised in the audit report.

The buyers do not have a role in auditing or in the formulation of corrective action plans. Buyers will be informed about the status of working conditions at each supplier so they can also push for improvements from their side. For example, if the corrective action plan includes steps to increase the number of fire extinguishers the buyer can check whether improvements have been made. In this way the supplier also feels pressure from the buyer-side to make improvements.

Buyers, quality controllers and merchandisers will inform the compliance employee (auditor SFE) about any missteps. Buyers will never talk about these missteps with the owners/managers of the factory. This is a task for the Compliance employee only. He / She will also inform manufacturers in China on the Code of Labour Practices and will audit factories and assist factories in filling out questionnaires and executing action plans. He /She will also collect complaints to be handled by the Supply Chain Manager.

Agents that visit the factories in a number of low risk countries, Portugal and Poland will inform Secon Group about missteps in the factories if they notice them. The agents do not have a role to actively investigate working conditions in the factories.

In 2008 Secon has not implemented support for any corrective action plans. Our Senior Buyers and our compliance manager are in regular contact with our factories. Their actions are

administered in a Supplier Management Tool. Therefore we are confident that we can effectively monitor our factories in a coherent way. We do not have full insight in possible sub-contracting or the use of home workers.

#### **4.2 External production**

If we see that suppliers of “external production” are potentially at high risk for non-compliance, then we will request the supplier to share with us audit reports or other certificates by which we can better judge the factory, where production takes place, for its social compliance effort.

### **5. Complaints**

#### **5.1 Complaints procedure**

We have informed our supplier that they can file complaints concerning our execution of the FWF guidelines at the Supply Chain Manager.

#### **5.2 Complaints in 2008**

The main complaint made by Far east suppliers is that the spreading of leaflet to workers about reporting bad labour conditions, is causing unnecessary tumult within the companies and that it is disturbing the relationship between the management and the workers.

### **6. Improvement of working conditions in factories**

Secan has not come across problems concerning labour conditions in Eastern-Europe, Portugal, Turkey and China. However, we realize that in China the main problems in fact are about working overtime and health and safety issues. Therefore, we did a “Health and safety” project with students of the Amsterdam Fashion Institute (AMFI). The students were trained to do audits focusing solely on Health and Safety. They then audited 6 of our main suppliers in China. All the 6 suppliers were presented with recommendations for improvements.

We have not (yet) supported manufacturers in the execution of corrective plans based on full audits. Below are the most important findings we came across after auditing two of our main suppliers in China:

Factory in Macau: Migrant workers feel that they are not equally treated in terms of overtime working and piece rate workers complaint that they are not informed of the unit price before they accept the job. We have discussed these points with the management of the factory.

Factory in Guangdong Province: The FWF Code of Practices was not posted on a prominent place in the factory. The factory could not show licenses for the security guards, which is required by local law. The factory employed 15 juvenile workers without proper registration. We have discussed these points with the management of the factory.

### **7. Training and education**

#### **7.1 Activities to inform agents and suppliers about the code of conduct for the apparel industry**

In 2008 we have informed our 80+ suppliers / agents per letter about the code of conduct for the apparel industry. Suppliers can also reread this information on our suppliers website.

#### **7.2 Activities to inform employees about the code of conduct for the apparel industry**

In 2008 Anja Rudnick (FWF) gave a presentation about FWF membership for all members of our company. In our company magazine that is published once every 2 months and is read by about 200 Secan employees, we write about our activities concerning FWF.

## **8. Information management**

The Compliance manager SFE will document the execution of corrective plans in detail. At Secon HQ we will keep track of milestone events in the newly setup Supplier Management Tools database.

### SMT database

At the end of 2008 we started developing a database using OpenOffice Base. This database will be used to manage supplier related information regarding:

- General terms of supply
- FWF
- Vendor rating

The database will enable us to combine and analyze information, that is already available within the company. It will also enable us to create regular status updates, that will allow us to take adequate action. A particularly interesting plan for FWF, that still needs to be worked out though, is to develop online FWF questionnaires. All answers on these questionnaires can be read into the database and can then be used for instance to make risk analysis per supplier.

## **9. Transparency**

Secon maintains a Suppliers website. This site can be visited by suppliers who have a login code. The following text has been placed on the website under chapter FAIRWEAR:

### **FAIR WEAR**

#### **Membership of the Fair Wear Foundation**

Social responsible enterprise is a very important aspect of the policy and business practices of Secon Group.

As a result of this Secon Group became a member of Fair Wear Foundation [FWF].

It is Secon Group's conviction that they have a responsibility to improve, where necessary, working conditions in the countries where they do business.

FWF has the same belief and promotes fair labour conditions in the garment industry worldwide. FWF provides the tools to respond to these issues. Working step-by-step with members, FWF verifies whether the member put enough effort into the membership.

All members sign the FWF Code of Labour Practices.

Members ensure that their suppliers comply with the labour standards.

Each member assesses and, where necessary, encourages compliance with these 8 labour standards:

- No forced labour
- No discrimination of workers
- No child labour
- Freedom of association and the right to collective bargaining
- Payment of a living wage
- No excessive overtime
- Safe and healthy work environment
- Legally-binding labour relations

Members ensure that their suppliers comply with the labour standards by monitoring the factories and implementation of improvement plans.

FWF uses several methods to verify whether the code of conduct is being implemented and whether the labour standards have improved.

The FWF Code of Labour Practices are integrated in our Code of Conduct.

[More about the Fair Wear Foundation:  
www.fairwear.nl](http://www.fairwear.nl)

Secon does not engage in any other external communication about it's FWF membership.

#### **10. Evaluation and improvement of the management system**

The monitoring program with manufacturers is continuously evaluated by the Compliance manger SFE and the Project manager at the Secon HQ. The effectiveness of the work plan and the available resources are evaluated 4 times per year by the HQ team.

## APPENDIX 1

### QUESTIONNAIRE SUPPLIER SELECTION

#### Aim

To select a new supplier on the right criteria, a questionnaire is made.

#### Starting points

##### Main drivers to select a supplier

- Quality
- Speed/time
- Margin
- Minimums

#### 4 categories suppliers

On the basis of the vendor rating system, we distinguish 4 categories suppliers.

- A supplier: our most important suppliers with whom we have a partnership
- B supplier: important suppliers which have the opportunity to become an A supplier
- C supplier: must improve their performance to a B supplier or stop working together
- D supplier: is not capable, stop working together

#### Process

The buyer is responsible to collect all the information and to do a proposal to the buying manager. The buying manager gives his approval for adding a new supplier.

#### QUESTIONNAIRE:

##### General

What is the main reason to add this supplier?

Does the supplier replace another one?

What is your general impression of the supplier?

What is your impression of the way they communicate (quality and language)?

What is your impression of their problem solving skills?

What is the Turnover and volume? What will be our position (share bigger than 10%)?

##### Finance

What is the financial position of the supplier?

How is the expected margin comparing with other suppliers in the same category?

What are supplier payment conditions?

##### Quality product

What impression do you have of the quality of the lab dips, salesmen samples and products?

Do they have enough sample possibilities?

Do they accept low quantities? What are their minimums?

Do they work with a quality control system? Are they willing to accept ours?

For which brands do they also work and what is the share per brand?

What is your impression of the factory?

##### Timing product

What impression do you have concerning their process and timing making samples/lab dips?

**Speed/time**

How many weeks do they need to produce?

Can they show you delivery reliability overviews for other clients, and what is your impression?

Are they willing to accept the general conditions of purchase/production and the general delivery instructions?

**Social compliance**

Is the country, where the factories are located, known to be at high risk for non-compliance to our social compliance guidelines?

Will the factory produce a substantial part of our turnover?

Are they willing to share other audits and certificates that can indicate compliance to our guidelines?

Is the company open for a discussion on implementing our social compliance guidelines and will the company be able to start implementing these guidelines within the near future?

**Contact info**

Who can be contacted concerning General Terms of Supply, social compliance (Fair Wear) and A-tex?  
Please provide name and email address.