

Brand performance check

Filippa K

August, 2012

FWF member since: 1 March 2008

Sources of information

Interview with Elin Larsson (Corporate Responsibility Manager)

Interview with Doreen Chiang (Production manager; FWF contact person)

Interview with Sten Lundén (Supply chain manager)

Interview with Monica Nygren (PR & Communication manager)

Annual report and work plan

Archived documents

Database FWF

Performance check carried out by:

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Introduction

In August, 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Filippa K AB (hereafter Filippa K). The performance check is a tool for FWF to verify that Filippa K implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the performance check has been the work plan for 2012 and social report of 2011. FWF tailored the performance check to the specifics of the management system of Filippa K in order to assess the key issues of interest. During the performance check, employees of Filippa K were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the performance check. 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 Filippa K 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 Filippa K that have been identified as key areas of interest for 2011 and 2012. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that performance check reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all performance checks on www.fairwear.org. FWF encourages Filippa K to include information from the performance check report in its social report.

Executive summary

Filippa K is in the process of implementing FWFs management system requirements. In general the sourcing practices of Filippa K support effective implementation of the Code of Labour Practices. With existing long term supplier relations and an widespread monitoring programme, Filippa K has put considerable effort in improving labour conditions in their supply chain. However, many activities and steps taken happen in an informal, ongoing manner. Filippa K is currently developing a more systematic approach for their management system on social compliance. This includes setting up a procedure to handle complaints and creating an improved workflow to monitor and follow up corrective action plans.

The percentage of the member's turnover that has been audited corresponds to the required percentage based on the duration of FWF membership. In 2011 the monitoring activities of Filippa K covered 86% of its purchasing volume.

Filippa K distributes a monthly newsletter to all employees around Europe including store employees. The newsletter contains a 'Corporate Responsibility' section where topics regarding sustainability are presented.

Agents are not systematically informed about FWF membership and the implementation of the Code of Labour Practices. Audit reports show audits are not properly communicated or announced from agent to manufacturer. In several cases the FWF Code of Labour Practices was not communicated to the supplier, or posted in the factory. Filippa K should set up an improved social compliance system to integrate information regarding monitoring activities between purchasing staff and corporate sustainability staff.

Positive findings

Conclusions

1. Filippa K would be willing to disclose their supplier register to other members on the basis of reciprocity.

1. Sourcing

Conclusions

1. The sourcing practices of Filippa K generally support effective implementation of the Code of Labour Practices. A large part of their total purchasing volume is coming from suppliers where the relationship is longer than 5 years. With some of the suppliers, the relationship exists for over 10 years. FWF could not determine the exact leverage Filippa K has over its suppliers from the supplier register since these data could not be provided by Filippa K. Filippa K indicates it has most impact at two important agents with whom they have regular discussions regarding social compliance and with orders that have the most pieces per style.

2. 50% of the sourcing volume is produced in factories in countries that FWF has classified as low risk countries. Filippa K does not source from factories that are owned by the company nor from factories that are FWF member factories.

3. Filippa K does not yet have a sourcing policy or routine on paper that clearly mentions the position of the Code of Labour Practices in the decision making process. The company is in the process of structuring itself internally to be able to operationalize the functioning of the Code of Labour Practices and to better track performance of suppliers relations.

4. Working conditions and the willingness of suppliers to cooperate on improvements are criteria in the selection of new suppliers and the continuation of business relationships, these are however not a decisive condition. The choice of suppliers is made by the production manager in the beginning of the design process. After checking the prototype, Filippa K does a factory review by means of a visit, including prices, quality and CSR. Pre-audits are done occasionally, but not on a structural basis. The company collects questionnaires from supplier before the first order is placed and has collected previous audit reports from a new supplier.

5. Filippa K does not have a system for evaluating (grading) suppliers with social compliance as a critical factor in this system. The company has the ambition for end of 2012 to develop a scorecard system to grade suppliers with CSR being one of elements. CSR has not been a reason to terminate a business relationship. In 2011, Filippa K terminated the relationship with one of their trading companies for a broader set of issues.

6. Filippa K has a system in place to ease production pressure on suppliers, such as creating an even spread of production orders for suppliers and where possible place orders during low season. The company calculates back from delivery dates to establish lead time. Filippa K shares forecasts with suppliers such as time schedules, mutual production planning and estimated volumes to facilitate their planning. Styles are developed in close cooperation with suppliers to be able to reach best quality level quality and target prices. Filippa K makes use of block orders with never out of stock items to reserve capacity and to avoid most of the immediate pressure for deliveries. Filippa K does not analyse the root causes of overtime.

7. When establishing prices, the wage component and cost of labour is not structurally taken into consideration. Filippa K sets a target price, but does not demand a transparent pricing system with all suppliers. In a flat knitwear company, Filippa K believes the price breakdown of wages and yarns lies around 50-50. In some cases target prices are changed along the way to ensure the product reaches quality standards.
8. Filippa K shares responsibilities with the agents regarding quality and price. Order placement decisions are occasionally made the agent.
9. Filippa K does not use sandblasting in denim production.

Requirements

3. Filippa K should have a formal sourcing policy or routine on paper that clearly mentions the position of the Code of Labour Practices in the decision making process. In addition, the company should develop a clear routine to establish progress with supplier relations and the implementation of good labour conditions.
6. As excessive overtime was found at some suppliers, Filippa K should discuss the root causes that lead to overtime with the production units to see whether changes in purchasing practices are needed and/or improvements are needed in planning and productivity at the supplier level.
7. Filippa K must facilitate payment of living wages in factories. Filippa K can use the FWF wage ladder and other systems, to increase its insight in the wage gap, and put the issue on the agenda in dialogue with production facilities. Filippa K could discuss the cost of labour with suppliers to establish which practices would support working towards payment of a living wages.

Recommendations

5. Filippa K could consult other FWF affiliates to discuss options for developing a system for grading and rewarding suppliers wherein implementation of labour standards is taken into account.
9. FWF would recommend Filippa K to develop a specific policy on sandblasting that describes the approach of the company to ensure no sandblasting takes place in factories.

2. Coherent system for monitoring and remediation

Conclusions

1. The percentage of the member's turnover that has been audited corresponds to the required percentage based on the duration of FWF membership. In 2011 the monitoring activities of Filippa K covered 86% of its purchasing volume. This includes suppliers that are based in low risk countries (Lithuania, Estonia, Portugal and Italy), representing 50% of the purchasing volume. This means that Filippa K almost meets the required percentage based on the duration of FWF membership (which is 90% for the three or more years of membership).

2. As part of Filippa K's activities to monitor working conditions in 2011, 3 factory audits were carried out in China on behalf of Filippa K. All audits are conducted by FWF teams. In addition, between 2009 and 2011, 3 factory audits were conducted on behalf of FWF to verify improvements of working conditions (2 in China and 1 in Turkey).

3. Filippa K follows up on corrective action plans resulting from audits. Production managers are responsible for the process of informing suppliers about FWF membership, collecting questionnaires, and coordinating follow up on corrective action plans by factories. They regularly visit the suppliers and agents. The company has an overview containing CAPs, follow up activities and comments of all suppliers that have to be audited or are audited in a central file, covering the past two years. All staff has access to these files.

4. Filippa K collects existing audit reports to assess the level of working conditions. The corrective action plans resulted from FWF audits are agreed upon and followed up. FWF could not verify the exact percentage of issues that have been improved or discussed with management and followed up by email/phone/factory visits at a minimum interval of one year.

5. Filippa K is willing to cooperate with other customers of manufacturers regarding monitoring and the execution of corrective action plans. It has shared two audits in 2011 with other FWF affiliates. Filippa K could not provide concrete examples of improvements made by shared efforts.

Recommendations

1-2 It is suggested that special attention could be given to monitoring of subcontractors, specifically in Turkey where washing, embroidery often is subcontracted or done by homeworkers. FWF's [subcontracting policy](#) can assist in establishing a monitoring system that covers subcontracting.

3-4. Since the process to follow up on existing and new audit reports will result in a growing amount of data, FWF recommends further systemizing the data collecting and storing process. Ideally, a system is set up wherein a CSR coordinator can keep track of the status of corrective action plans. Given that there are several production managers who can work on the process to follow up on corrective action plans with suppliers, it is of added value to adopt guidelines for product managers and to monitor if these are followed in practice. Below a few concrete suggestions:

- Before each travel period of product managers a briefing with the supply staff and CSR manager could take place to ensure that the improvement points in CAPs are understood and will be discussed with suppliers. Before the factory visit takes place the CAP should have been sent to the factory.

- Within a month after the latest factory visit, a debriefing can take place with the CSR manager regarding the discussed points from the CAP, agreed improvements and timelines. Key information regarding follow up of the CAP should be filed on the corporate server.

- At least each three months, a product manager contacts factories through email / phone to discuss progress on the CAP. It is of added value to let product managers ask factories to send soft copies of documentation or photos as a means to indicate that improvements have been realised. When Filippa K carefully reviews the documentation and provides feedback to the supplier, it sends a clear message as to how these issues will be monitored in the future.

3. Complaints procedure

Conclusions

1. Filippa K has a designated person to handle complaints of workers. In 2011, there was no complaint received that affected workers in a factory supplying to Filippa K.
2. If a complaint were submitted, the company does not have an internal procedure on paper how to handle complaints.
3. The company does not have an effective routine to ensure suppliers post the Code of Labour Practices (CoLP) with the complaints handlers contact details in the factory. During 3 factory audits in 2011 it was found that the CoLP was not posted. In addition, several cases have shown workers are unaware of the complaints mechanism.

Requirements

3. FWF expects Filippa K to ensure that the translated version of the CoLP, including the contact details of FWFs local complaints handler, is at all times posted in all factories where clothing is made. The CoLP should be accessible in at least one place that is freely accessible to workers.

To ascertain that the CoLP remains posted in factories the Filippa K staff that visits suppliers must actively check if the CoLP is posted. Reports of own staff must contain information to prove that the information sheet for workers is posted. It is advised to take digital pictures of the posted CoLP during each factory visit by Filippa K representatives, and to store these on the corporate server.

Recommendations

1. In order to handle complaints effectively in the future, it could be of added value for Filippa K to contact other (Swedish) FWF affiliates and discuss how they have handled complaints.

4. Labour conditions and improvements

Conclusions

1. During an audit at one of the suppliers in China (October 2011) it was found that the factory in general lacked policies on basic labour standards, such as on discrimination and child labour. The factory improved its social security system to provide accident and medical insurance. Improvements are still to be made in the area of health and safety and in signing labour contract with temporary workers.

A factory audit to verify improvements in a factory in China (November 2011) pointed out that workers are not sufficiently paid for overtime hours worked. No areas for improvements were found relating forced labour, child labour or discrimination in employment.

A factory audit as part of Filippa K's monitoring activities in China (June 2011) pointed out that the factory complies with Chinese labour legislation on payment of wages for a regular working week. However, wages for a regular working week are below living wage estimated by local stakeholders consulted by FWF.

A key issue from all 3 audits in China in 2011 was excessive overtime. In one factory, monthly overtime hours exceeded 36 hours up to 181 hours in February, March and April 2011.

2. The audit in Turkey to verify improvements in July 2011 showed awareness of the FWF Code of Labour Practices among workers and management was low. The factory was audit in 2008, but the report was not available nor was the CoLP communicated to the workers. The factory manager handles the social compliance issues in the facility and has been trained. No violations were detected regarding forced labour and discrimination. The working hours of the 5 juvenile workers are not limited to 40 hours a week.

FWF believes that transparency regarding working conditions in factories is of added value in working towards compliance with labour standards. Based on results of audits carried out by FWF teams to verify improvements FWF has drawn up an overview of improvements in labour conditions in factories. The overview is annexed to this report. The overview includes results of audits by FWF local audit teams. Results of audits by other initiatives are not summarised.

Requirements

1-2 Filippa K is required to prioritize follow up on the issues that relate to excessive overtime and employment contract of temporary contracts. Furthermore, Filippa K should improve its system to monitor social compliance at their suppliers, specifically where it comes to posting the CoLP and workers awareness of the code.

Recommendations

1-2 Given the long relationship with several suppliers, Filippa K is in a position to engage in assessment of wages and discuss with suppliers which steps could contribute to facilitate the payment of higher wages, making steps towards a living wage.

5. Training and capacity building

Conclusions

1. Staff of Filippa K is sufficiently informed about FWF membership and the implementation of the Code of Labour Practices. Once a month there is a supply meeting where supplier relations and the code of conduct is discussed. FWF topics are not systematically discussed. Filippa K uses the slides of the FWF seminar for affiliates internally to explain implementation of FWF membership. Filippa K distributes a monthly newsletter to all employees around Europe including store employees. The newsletter contains a 'Corporate Responsibility' section where topics regarding sustainability are presented.

2. Agents are not systematically informed about FWF membership and the implementation of the Code of Labour Practices. Audit reports show audits are not properly communicated or announced from agent to manufacturer.
3. Manufacturers and their workers are informed about FWF membership through the questionnaires that have been sent and returned. Filippa K sends the Code of Labour to its suppliers. Audit reports show FWF could not confirm the CoLP was posted at the audited factories.
4. In 2011 and 2012 suppliers of Filippa K did not participate in trainings and/or supplier seminars of FWF.

Requirements

2. Agents of Filippa K should be regularly informed about the meaning of implementing FWF membership and effectively communicate this to the manufacturer. When meeting with agents, Filippa K can discuss the topics relevant to FWF membership with the agent. Filippa K could ask for photographic evidence from the agent to show whether the FWF workers information sheet has been posted in the factory.

Recommendations

1. For Filippa K staff in direct contact with suppliers the company might consider capacity building on social compliance. FWF offers a seminar for affiliates twice a year and can also offer in company training.
3. Filippa K could consider going beyond auditing in facilitating improvements at suppliers. Training of workers and management can enhance their own capacities in monitoring their labour conditions might improve dialogue at factory level. Filippa K can participate in the work place education programme that FWF will offer from the second half of 2012 onwards for China, Bangladesh and India.

6. Information management

Conclusions

1. Filippa K has a designated person to update the supplier register. There is no clear procedure to keep the supplier register updated. The supplier register that has been submitted with the last work plan included all the suppliers and locations. During the brand performance check, Filippa K discovered an inaccuracy in the volume numbers and percentages, given a currency converter error. With new calculations, FWF could verify that the purchasing volume and percentages in the supplier register was accurate. FWF could not verify the exact leverage Filippa K has over its supplier or the percentage of their total purchasing volume that is coming from suppliers where the relationship is longer than 5 years.
2. There is a system in place to effectively integrate information regarding sourcing and the implementation of the Code of Labour practices. All suppliers that have been audited are in a central file that contains audit reports (both FWF audits as external audits),

corrective action plans, status of findings and follow up comments. The file and documents are both in hard copy and on the internal server. Buyers and other relevant staff have access this information.

Requirements

1. The supplier register should include the percentage of production that the supplier produces for Filippa K in order for FWF to establish the leverage Filippa K has. In addition, the supplier register should specify the number of years during which Filippa K has worked with their suppliers.

Recommendations

2. Having a good overview of the factories that produce for Filippa K is the essence of monitoring on social compliance. Filippa K must ensure an efficient workflow between the relevant staff, (buyers, CSR and sourcing staff) to keep track of the status of monitoring activities by Filippa K, and to make sure this matches with the purchasing decisions.

7. Transparency

Conclusions

1. Filippa K informs the public about its FWF membership mostly through the company website. The company's communication policy is not to communicate about their CSR philosophy on products and/or hangtags. The brochures and catalogues are only used to show the collection. Information about FWF membership is posted on the website of the member company in correct wording. The information includes a description of implementation of the FWF Code of Labour Practices and shows a link to the social report. A link to FWF's website is missing.

2. The annual social report of the previous year has been received in time and placed on the website of the company. The social report specifically describes compliance at factory level, the countries of production and the challenges of implementing the FWF Code of Labour Practices.

3. FWF membership is used by Filippa K's store managers to strengthen their credibility towards the end consumer by being able to answer questions and inquire from customers.

Requirements

1. The corporate site of Filippa K should include a link to FWF's website.

Recommendations

1. If requested/applicable, FWF can be present at trade fairs or other events and be visible in cooperation with Filippa K. FWF can offer materials and/or advice on presenting the goals and efforts of the company in the area of social compliance.

8. Management system evaluation and improvement

Conclusions

1. The member company evaluates on an informal and on-going basis to what extent goals related to its FWF membership are achieved. There is no annual, systematic manner for evaluation. The Corporate Responsibility Manager is part of top management, which leads to sustainability issues being discussed on management level.

2. Filippa K does not have a formal systematic way to gather feedback from agents and manufactures. The company has on-going discussions with agents and manufactures to discuss progress and where applicable uses this feedback for improvements. Filippa K evaluates its suppliers once a year. The result may be that the company stops working with a factory for several reasons. The first priority however is to help suppliers improve by having a closer dialogue and check-up.

Recommendations

1. By organising an internal yearly meeting Filippa K could specifically evaluate progress in implementing FWF membership. The output of the evaluation can be applied to policies and practices for further improving the implementation of the Code of Labour Practices.

9. Basic requirements of FWF membership

Conclusions

1. The work plan for 2012 has been received in time and approved by FWF. The social report of 2011 has been received and is placed on the company's website.

2. The membership fee for the previous year has been paid.

10. Recommendations to FWF

Recommendations

1. While respecting the quality of FWF's audit methodology, Filippa K would welcome the acceptance of different audit standards and initiatives.

2. Filippa K recommends FWF to develop a database with access to suppliers. Filippa K

would be willing to disclose their supplier register to other members on the basis of reciprocity.

3. Filippa K welcomes FWFs initiatives leading to a more structural approach towards factory training and capacity building in production countries.

Improvement of labour conditions: summary of most important findings	Factory in China audited in June 2011 initiated by Fillippa K
Sourcing practices of Filippa K	Wages are below living wage estimated by local stakeholders.
Monitoring system of Filippa K	Filippa K does not have a system to assess progress of working conditions in this factory.
Management system of factory to improve labour standards	Factory has never reported their current practice or progress on social compliance status to Filippa K.
Communication and consultation	No areas for improvement found
No forced Labour	No areas for improvement found
No discrimination in employment	No areas for improvement found
No exploitation of child labour	No areas for improvement found
Freedom of association and the right to collective bargaining	There is no independent union or workers committee which is run by workers without management involvement. Workers are not aware of their rights to organize.
Payment of a living wage	The factory complies with Chinese labour legislation on payment of wages for a regular working week. However, wages for a regular working week are below living wage estimated by local stakeholders consulted by FWF.
No excessive working hours	Daily overtime hours exceed 3 hours up to 4 hours and monthly overtime hours exceed 36 hours up to 181 hours in February, March and April 2011.
Safe and healthy working environment	Standing workers are not provided with floor mat and linking & sewing workers are not provided with chairs with back supports. No exercise is arranged for workers during work intervals to release their body strain.
Legally binding employment relationship	Social insurance payment receipt provided by factory management, showed 94 out of 175 employees were provided with accident and medical insurance, 62 out of 175 employees are provided with pension and unemployment insurance.

Improvement of labour conditions: summary of most important findings	Factory in China audited in October 2011 initiated by Fillippa K
Sourcing practices of Filippa K	Wages are below living wage estimated by local stakeholders.
Monitoring system of Filippa K	Filippa K does not have a system to assess progress of working conditions in this factory and to check if the FWF Code of Labour Practices is posted.
Management system of factory to improve labour standards	Factory does not have a social compliance system in place to monitor its labour conditions. Factory has not reported progress on social compliance status to Filippa K.
Communication and consultation	Laundry process is subcontracted to other factory. However, the subcontractor is not informed of FWF Code of Labour Practices and factory does not set up a system to monitor the compliance status of its subcontractors.
No forced Labour	Factory does not have a policy on prohibition of forced labour in place.
No discrimination in employment	Factory does not have a policy on no discrimination in place.
No exploitation of child labour	Factory does not have a policy of prohibition of child labour and protection of juvenile workers enacted.
Freedom of association and the right to collective bargaining	There is no independent union or workers committee which is run by workers without management involvement. Workers are not aware of their rights to organize.
Payment of a living wage	Piece rate workers are not paid for statutory holiday leaves (11 days a year) and annual leaves (5 days a year), as they do not have production output during the leaves.
No excessive working hours	Weekly working hours exceed 60 hours up to 70 hours in August, July and June 2011.
Safe and healthy working environment	No fire drill has ever been conducted in the factory since establishment.
Legally binding employment relationship	Factory does not sign labour contract with temporary workers.

Improvement of labour conditions: summary of most important findings	Factory in China audited in November 2011 to verify improvements
Sourcing practices of Filippa K	Wages are below living wage estimated by local stakeholders.
Monitoring system of Filippa K	Factory did not receive FWF Code of Labour Practices from Filippa K.
Management system of factory to improve labour standards	No areas for improvement found
Communication and consultation	No areas for improvement found
No forced Labour	No areas for improvement found
No discrimination in employment	No areas for improvement found
No exploitation of child labour	No areas for improvement found
Freedom of association and the right to collective bargaining	There is no independent union or workers committee which is run by workers without management involvement. Workers are not aware of their rights to organize.
Payment of a living wage	Wages for a regular working week are below living wage estimated by local stakeholders consulted by FWF.
No excessive working hours	Maximum weekly working hours are 63 hours. (max 60 hours per week according to local legislation). Working hours are not properly recorded.
Safe and healthy working environment	Chemicals (i.e.detergent) are not stored in a special chemical storeroom, instead, the chemicals are stored in the fabric warehouse.
Legally binding employment relationship	Not all employees had, in accordance with the law, social insurance benefits under the following circumstances: (1) retirements; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) maternity.

Improvement of labour conditions: summary of most important findings	Factory in Turkey audited in July 2011 to verify improvements
Sourcing practices of Filippa K	Wages are below living wage estimated by local stakeholders.
Monitoring system of Filippa K	FWF conducted an audit in October 2008. The report was not available and had not been communicated to the HR Responsible.
Management system of factory to improve labour standards	Factory manager handles the social compliance issues in the facility and has been trained by SGS.
Communication and consultation	The Code of Labour Practices is not communicated to the workers
No forced Labour	No findings
No discrimination in employment	No findings
No exploitation of child labour	The working hours of the 5 juvenile workers are not limited to 40 hours a week. They also work overtime.
Freedom of association and the right to collective bargaining	There is no written FOA procedure in place.
Payment of a living wage	There are no pay slips available that needs to be distributed to workers. Wages are below stakeholders' estimate of a living wage.
No excessive working hours	There is excessive over time, most of the workers work more than 11 hours a day, 60 hours a week and do overtime more than 270 hours a year. Security guards work for 84 hours a week as regular working practice.
Safe and healthy working environment	There is an active Health and Safety committee in the facility but there is no general written Health and Safety rules, trainings and plan. Legally required H&S specialist is missing
Legally binding employment relationship	Annual leaves log book is not kept up to date. Some of the workers are not registered to SGK on time for probation period.