



Brand performance check

Buttonboss B.V.

December, 2012

FWF member since:

01-03-2006

Sources of information

Interview with Jeroen Boogman (Sales manager/FWF contact person)

Annual report and work plan

Archived documents

Database FWF

Performance check carried out by:

Annabel Meurs



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Introduction

In December 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Buttonboss B.V. (hereafter Buttonboss). The performance check is a tool for FWF to verify that Buttonboss 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. FWF looks at key areas of interests where the individual member company can generate the most impact. During the performance check, employees of Buttonboss 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 Buttonboss 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 Buttonboss that have been identified as key areas of interest for 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 Buttonboss to include information from the performance check report in its social report.



Executive summary

Buttonboss is in process of implementing FWFs management system requirements.

The sourcing practices of Buttonboss generally support the implementation of the FWF Code of Labour Practices. The company produces its caps at a limited number of suppliers and aims to establish long term relationships with its suppliers. According to Buttonboss, consolidation of its supply base has been an important part of the company's sourcing strategy. In 2011, Buttonboss placed orders at five production sites in China.

The percentage of Buttonboss' purchasing volume that has been audited corresponds to the required percentage of 90% based on the duration of FWF membership. During 2011 and 2012, Buttonboss has audited all suppliers by making use FWF audit teams, representing 100% of its 2011 purchasing volume. At two of its suppliers, Buttonboss has collected existing reports of previous audits.

Buttonboss has systems in place to ease production pressure on suppliers. The company works with standard lead times and delivery times are set in cooperation with the supplier. Weekly status reports give both Buttonboss and the factory insight in the production process.

The four audits that were carried out at suppliers of Buttonboss in China in 2012 indicated that overtime work was not paid according to local requirements, and that excessive overtime was found up to 64 hours / week. In addition, the audits showed the CoLP was not posted in the factory. Buttonboss has not checked during the visit whether the CoLP was posted in the workplace at a location accessible to workers.

Based on the information received, FWF was not able to verify whether percentages in the supplier register are accurate. Information regarding the percentages that indicate the leverage Buttonboss has as a customer is missing from the supplier register that was submitted to FWF.

Buttonboss informs the public about its FWF membership through the company's website and catalogue. In addition, Buttonboss makes use of on product hangtags and uses FWF membership in sales meetings with potential customers. The annual social report of 2011 has been received in time. However, Buttonboss has not placed it on its corporate website.

Positive findings

Conclusions

1. To avoid delivery delays, Buttonboss has adopted a new system that allows for clearer sampling instructions and procedures. According to Buttonboss, the standardized sheet improves sampling instructions and decreases the chance of late changes in styles.

In a newly selected supplier in China, all fabrics and materials are produced at the production location. This limits the risk of late delivery of materials.

1. Sourcing

Conclusions

1. The sourcing practices of Buttonboss generally support the implementation of the FWF Code of Labour Practices (CoLP). Buttonboss produces its caps at a limited number of suppliers and aims to establish long term relationships with its suppliers. According to Buttonboss, consolidation of its supply base has been an important part of the company's sourcing strategy. In 2011, it has placed orders at five production sites in China. In 2012, the order balance in Buttonboss' supplier base changed considerably; orders were moved from the previous biggest supplier to the newly selected supplier.

2 Buttonboss maintains a business relation for more than 5 years with two of its suppliers which accounted for 74% of its total purchasing volume in 2011. Based on the information FWF received from Buttonboss, FWF could not determine whether the company has substantial leverage as a customer at its suppliers to effectively request improvements in working conditions.

3. 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. New suppliers are requested to commit to the Code of Labour Practices. The FWF questionnaire is sent after a first initial screening. Potential new suppliers are always visited before placing the bulk order. During those visits, the implementation of FWF membership is discussed with factory management. Buttonboss has collected previous audit reports from the newly selected factory.

4. Buttonboss does not have a formal incentive system to reward suppliers for realised improvements in working conditions. However, in practice, compliance with labour standards is a criterion for evaluating suppliers for future order placement. When terminating the business relationship with one supplier in 2011, the social compliance level and efforts made are taken into consideration by Buttonboss. Main reason for terminating the business relationship was price level.

5. Buttonboss has systems in place to ease production pressure on suppliers. The company works with standard lead times and delivery times are set in cooperation with the supplier. Weekly status reports give both Buttonboss and the factory insight in the production process. Buttonboss allows suppliers as much flexibility as possible on items for stock production. In case of custom made orders, lead times may be shortened depending on customer requirements. Buttonboss aims to avoid shorter delivery times that are often required by customers, by signalling orders quantities more in advance. In 2012, the company has put more focus on air freight instead of transport by boat; among others to avoid pressure on production period.

To avoid delivery delays, Buttonboss has adopted a new system that allows for clearer sampling instructions and procedures. According to Buttonboss, the standardized sheet improves sampling instructions and decreases the chance of late changes in styles. Buttonboss indicated that delays occur often when the factory prioritizes orders of other customers over Buttonboss orders.

6. Despite the above mentioned measures, excessive overtime was found during three audits of the four audits in China in 2012. FWF audit teams found excessive overtime up to 80 hours a week in all 3 factories that produce caps for Buttonboss. This may have to do with the fact they are relatively small customer. During one factory audit, factory management informed the FWF audit team delivery dates of Buttonboss were not sufficient to arrange for the production schedule. All three audits indicated wages paid for a regular working week are below the Asia Floor Wage of 2244 RMB per month.

When establishing prices Buttonboss the wage component of the price is not discussed.

Requirements

2. Buttonboss should submit accurate details to FWF that shows all its suppliers and the relevance of each supplier in relation to its total purchasing volume.
3. Buttonboss is expected to assess the level of wages and working hours in factories in relation to its purchasing practices to ensure these allow the manufacturer to implement the FWF labour standards.

Recommendations

4. FWF recommends Buttonboss to include compliance with labour standards in the future development of an evaluation system of suppliers. When assessing suppliers, the ability to implement improvement in labour conditions can form one of the criteria.
6. FWF recommends investigating the root causes of overtime in cooperation with factories and other customers. Incidents of overtime, their origin and severity should be recorded to support this analysis. It is recommended that a period be defined which is representative for an entire business year for the factory to carry out this analysis. After this analysis, a step-by-step plan can be drafted by the factory to bring the amount of working hours down to legally allowed levels. The plan should explain how and if and to what extent the factory can control overtime hours, and to what extent the buyer could support remediation.
6. It is recommended to assess how further steps forward towards payment of living wages for a regular working week can be made. This assessment should preferably be done together with the supplier and if possible other important buyers. In this discussion the FWF wage ladder tool can be used. One possible solution is to agree to a higher price conditioned to the increase of the regular wages for the workers.

2. Coherent system for monitoring and remediation

Conclusions

1. The percentage of Buttonboss' that has been audited corresponds to the required percentage of 90% based on the duration of FWF membership. During 2011 and 2012, Buttonboss has audited all of its suppliers by making use FWF audit teams, representing 100% of its 2011 purchasing volume. In addition, at two of its suppliers, Buttonboss has collected existing reports of previous audits.
2. The corrective action plans resulting from conducted audits are systematically agreed upon and reported on. Buttonboss has a designated person to follow up on CAPs. Within two months after the audit report has been released a CAP and time frame is been agreed upon. Buttonboss selects certain issues for follow up. Buttonboss requires pictures and evidence of findings that have been improved according to the supplier. Findings are discussed during annual visits.
3. Buttonboss does not actively cooperate with other customers of manufacturers regarding the process of monitoring follow up on corrective action plans.

Recommendations

1. Buttonboss has indicated it finds it difficult to effectively work on improving working conditions when the order quantity is low compared to other customers of the factory. Cooperating with other customers will increase the potential of establishing long term improvements. A first step can be identifying other clients and their commitment to improving working conditions. In addition, other clients can be approached to cooperate on follow up of corrective actions. Particularly when other clients are a member of FLA there is ground for effectively working on improvements.
- 2-3. To ensure sustainable realization of improvements it helps to agree on a number of issues that will prioritized and document the steps taken. Particularly in tackling the complicated issues, Buttonboss will need to cooperate with other customers in order to achieve realized improvements.

3. Complaints procedure

Conclusions

1. Buttonboss has a designated person to handle complaints of workers.
2. Buttonboss indicated it has a workflow to ensure suppliers post the CoLP with complaints handlers contact details in the factory. However, all three audits that were conducted in 2012 by FWF teams showed the CoLP was not posted in the factory. Buttonboss has not checked during the visit whether the CoLP was posted in the workplace at a location accessible to workers.
3. In 2011 and 2012, FWF did not receive complaints from workers of suppliers of Buttonboss.

Requirements

2. Buttonboss must ensure that the Code of Labour Practices including contact information of the local complaints handler of FWF is posted in factories in a location that is accessible to workers. Buttonboss should check by means of a visit whether the CoLP is posted in the factories.

4. Labour conditions and improvements

Conclusions

1. The audit carried out on behalf of Buttonboss in 2012 that had been audited before showed several improvements: the factory had documented results of workers' complaints. Workers had an increased awareness of the workers' representative committee that has been set up and democratically selected by the production workforce. In addition, FWF was able to verify that workers had received a copy of the employment contract. Several areas for improvements remained to be found: wages met local minimum wage, but remain below one of the benchmarks of a living wage as estimated by local stakeholders. Workers are not sufficiently compensated for overtime hours worked and work hours are not accurately recorded. Monthly overtime hours exceed the limit of 36 hours per week.

2. During the second audit on behalf of Buttonboss in 2012, no major non compliances were found regarding forced labour, discrimination in employment or child labour. The audit indicated several areas for improvements: most importantly, not all workers were paid the legally required premium for overtime work. Workers do not receive at least one day off in a 7-day period. Related to health and safety standards, in some departments fire extinguishers and fire exit signs were missing.

3. The third audit that was carried out on behalf of Buttonboss in 2012 covered two production units with different management systems, but owned by the same legal enterprise. At both factories wages were below Asia FloorWage. The factories need to work on raising awareness among workers with regard to internal grievances systems and social compliance procedures. Furthermore, there is no automatic fire alarm system in the dormitory building and standing workers are not provided with floor mats.

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 audit teams.

Recommendations

1-3. It is recommended to arrange additional factory trainings that aim at strengthening social dialogue on factory level. FWF is in contact with local NGOs active in both cities where both audited factories are located. NGOs could carry out trainings aiming at strengthening social dialogue between management and workers.

1-3. Buttonboss is expected to take an active role in discussing living wages with their suppliers. The FWF wage ladder can be used as a tool to implement living wages. Most

relevant wages, such as local minimum wage, Asia FloorWage, collective bargaining wage and industrial best practice wage are provided in the wage ladder. The wage ladder is included in FWF's audit reports. It demonstrates the gaps between workers' wages at a factory and living wages demanded by major local stakeholders. The wage ladder can be used to document, monitor, negotiate and evaluate improvements in wages at its suppliers.

5. Training and capacity building

Conclusions

1. Staff of Buttonboss is sufficiently informed about FWF membership and the implementation of the Code of Labour Practices. Information on FWF is provided through email and internal meetings.
2. Manufacturers of Buttonboss are informed about FWF membership and the implementation of the Code of Labour Practices by having discussions over email and visits and through requesting them to submit the FWF questionnaire. All suppliers Buttonboss works with have returned the completed questionnaire. Buttonboss aims to visit its suppliers at least once a year.
3. Buttonboss did not take active steps to promote factories to participate in trainings and/or seminars. The company did not allocate resources to strengthen the capacity of suppliers to implement labour standards. Audit results have shown worker awareness of labour rights is generally low.

Recommendations

3. FWF recommends Buttonboss to engage its manufacturers in training projects that aim at strengthening social dialogue and dispute handling. Trainings are offered by FWF as part of the Workplace Education Programme for factory managers and workers in China during 2012-2015. These trainings are set up to strengthen awareness of and access to grievance mechanisms and alternative channels for dispute solving.

6. Information management

Conclusions

1. Buttonboss has a designated person to update the supplier register.
2. Information regarding the production percentages is missing from the supplier register that was submitted to FWF. Based on the information received during the performance check, FWF was not able to verify whether the volume percentages.

Requirements

2. The supplier register must contain all suppliers and sewing subcontractors. For each supplier or subcontractor the following information must be added:

- Total purchasing amount (FOB)
- Percentages of total purchasing volume
- Information on previous audits carried out at production locations
- Brief status description of process to follow up on corrective action plans.
- Correct volume percentages of each supplier. These can be calculated on the basis of payments made during the previous financial year.

7. Transparency

Conclusions

1. Buttonboss informs the public about its FWF membership through the company's website, stationary and catalogue. In addition, Buttonboss makes use of on product hangtags and uses FWF membership in sales meetings with potential customers.

2. The annual social report of 2011 has been received in time. However, Buttonboss has not placed it on its corporate website.

3. Information about FWF membership is posted on the website of Buttonboss (Kincap) in correct wording. The information includes an accurate description of implementation of FWF membership and links to FWF's website.

Requirements

2. The annual social report must be posted on the corporate website of Buttonboss (Kincap).

Recommendations

3. It is recommended to publish the performance check report.

8. Management system evaluation and improvement

Conclusions

1. Buttonboss evaluates to what extent goals related to its FWF membership are achieved as part of on-going discussion with suppliers and customers. Higher management is involved in these meetings.

9. Basic requirements of FWF membership

Conclusions

1. Buttonboss meets the basic requirement of FWF membership in 2011: the membership fee has been paid and a work plan has been submitted and approved by FWF.

10. Recommendations to FWF

Recommendations

1. Buttonboss would appreciate more focus of FWF on campaigns that raise awareness among consumers.

Improvement of labour conditions: summary of most important findings	Factory 1 in China audited in March 2012 (follow up audit of Nov 2009)	
Sourcing practices of Buttonboss	Lead times of 20 days is not sufficient for the factory to arrange production schedule.	
Monitoring system of Buttonboss	Buttonboss has not provided the Code of Labour Practices to the factory.	
Management system of factory to improve labour standards	Factory never reports their current practice or progress on social compliance status to Buttonboss. Workers are not aware who is the responsible social compliance employee. Embroidery and printing subcontractors are not informed of FWF Code of Labour Practices.	
Communication and consultation	The results of worker's complaints are not publicized.	Improved
Employment is freely chosen	Documents reflected that some workers took 40 days to leave the factory after they resign.	Improved
No discrimination in employment	Recruitment notice specified that workers should be aged under 36. The registration form requires male workers to have a signature of a guarantee to assure his conduct and behaviour.	Improved
No exploitation of child labour	No areas for improvement found	No areas for improvement found
Freedom of association and the right to collective bargaining	Workers are not aware of the existence of a workers' representatives or workers' representative committee.	Improved
Payment of a living wage	Not all workers are paid the legal OT premium.	All production workers are not sufficiently compensated for overtime hours worked. Wages are below RMB 2244 as the Wage level defined by the Asia Floor Wage Campaign and RMB 2500 as the living wage standard estimated by local stakeholders.
Reasonable hours of work	Work time are not accurately recorded. The factory cannot ensure at least one rest day every week. Monthly overtime hours exceed the limit of 36 hours up to 106 hours per month.	
Safe and healthy working environment	The belts on some sewing machines are not covered. No protective shields on all high speed machines. The factory has no trained persons on first aid. The legal standard is 1 per 100 persons.	All 84 sewing machines in the sewing workshop on the 3rd floor of the production building are not equipped with needles guards.
Legally binding employment relationship	Workers do not have a copy of the contract.	Improved

Improvement of labour conditions: summary of most important findings	Factory 2 in China audited in March 2012
Sourcing practices of Buttonboss	Wages for a regular working week are below the Asia Floor Wage of 2244 RMB per month.
Monitoring system of Buttonboss	FWF Code of Labour Practices is not posted in the factory.
Management system of factory to improve labour standards	Factory has never reported their current practice or progress on social compliance status to Buttonboss.
Communication and consultation	Factory does not keep a register of complaints and suggestions of workers and of the factory's response.
Employment is freely chosen	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	Contact information of 4 workers' representatives are not posted in production floor for workers awareness. Worker's committee does not get involved in the establishment of the factory's grievance system.
Payment of a living wage	Overtime premium for some workers are insufficiently paid.
Reasonable hours of work	Weekly working hours exceed 60 hours up to 71 hours. Workers do not receive at least one day off in a 7-day period.
Safe and healthy working environment	No fire extinguisher is available at the area between production building 1 and 2, where paper cartons are stored. No exit sign is installed on the top of 1 out of 2 safety exits on the second floor of the dormitory building.
Legally binding employment relationship	No areas for improvement found

Improvement of labour conditions: summary of most important findings	Factory 3 in China audited in March 2012	Factory 4 in China audited in March 2012 (same owner as factory 3)
Sourcing practices of Buttonboss	Management state the unit price of Buttonboss is low compared with its other clients.	Wages for a regular working week are below the Asia Floor Wage of 2244 RMB per month.
Monitoring system of Buttonboss	FWF Code of Labour Practices is not posted in the factory.	FWF Code of Labour Practices is not posted in the factory.
Management system of factory to improve labour standards	Factory has never reported their current practice or progress on social compliance status to Buttonboss.	Factory has never reported their current practice or progress on social compliance status to Buttonboss.
Communication and consultation	Workers are not aware of the formal procedure for their complaints and grievances.	Workers are not informed and consulted about FWF Code of Labour Practices. Information about FWF Code of Labour Practices are not posted in the factory.
Employment is freely chosen	No areas for improvement found	No areas for improvement found
No discrimination in employment	No areas for improvement found	No areas for improvement found
No exploitation of child labour	No areas for improvement found	No areas for improvement found
Freedom of association and the right to collective bargaining	Factory has a trade union, which is subjected to All China Federation of Trade Unions (ACFTU), chairman and union committees are from managerial levels, who are appointed by upper management instead of democratic election; the trade union is not 100% truly and independently represent workers to have dialogues and communications on labour issues with management.	Factory has a trade union, which is subjected to All China Federation of Trade Unions (ACFTU), chairman and union committees are from managerial levels, who are appointed by upper management instead of democratic election; the trade union is not 100% truly and independently represent workers to have dialogues and communications on labour issues with management.
Payment of a living wage	Overtime premium for some workers are insufficiently paid.	Wages for a regular working week are below the Asia Floor Wage of 2244 RMB per month.
Reasonable hours of work	Weekly working hours exceed 60 hours up to 80 hours in January 2012, December and November 2011.	No areas for improvement found
Safe and healthy working environment	Automatic fire alarm system is not available in dormitory building. No eye washing facilities are available in the printing department and at the chemical warehouse.	Standing workers are not provided with floor mat and some sitting 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	520 out of 850 employees are provided with pension, medical, unemployment, injury and maternity insurance.	No areas for improvement found