



Fair Wear Foundation

**Brand performance check report**

**Manroof GmbH**

**April 2012**

***FWF member since:***

November 2008

***Sources of information***

Interview with Jacques von Mandach (Owner/CEO)

Annual report and work plan

Archived documents

Database FWF

Performance check carried out by:

Juliette Li (Verification coordinator FWF)



Fair Wear Foundation

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## Introduction

In April 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Manroof GmbH (Manroof). The performance check is a tool for FWF to verify that Manroof 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 2011. FWF tailored the performance check to the specifics of the management system of Manroof in order to assess the key issues of interest. During the performance check, CEO of Manroof was 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 Manroof 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 Manroof that have been identified as key areas of interest for 2011. 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](http://www.fairwear.org). FWF encourages Manroof to include information from the performance check report in its social report.



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## **Executive summary**

Manroof met most of FWF's management system requirements.

The sourcing strategy of Manroof supports the implementation of FWF's Code of Labour Practices. Manroof works with suppliers for many years to build stable and sustainable relationships. Manroof also support suppliers to plan their production in advance by forecasting order volumes.

Manroof is considered to have monitored nearly 90% of its total turnover after 3 years of FWF membership. The company has met FWF's expectation in terms of monitoring working conditions.

Manroof has demonstrated sufficient effort working with its suppliers to follow up on the audit results (corrective action plans). According to FWF's verification audit in 2011, improvements were realised at a factory that accounted for 20.6% of Manroof's total purchasing volume. The factory has developed policies to comply with FWF's Code of Labour Practices. Excessive overtime was reduced.

Manroof is transparent about being a member of FWF. The management evaluates the membership of FWF and the implementation of the Code of Labour Practices regularly.



## Positive findings

### *Conclusions*

1. Manroof designated its CEO to follow up on audit results and maintain communication with suppliers on labour conditions. This practice supports the implementation of FWF's Code of Labour Practices.
2. Manroof works with stable suppliers despite that the company is in the sector of promotional textiles.

## 1. Sourcing

### *Conclusions*

- 1.1 Manroof values long term relationships with its suppliers. 15 out of 19 suppliers (79%) have worked with Manroof for over 5 years. The company has significant leverage as a client at two factories (11% of all suppliers). Manroof accounts for 25% and 10% of their production respectively.
- 1.2 Social compliance is an important criterion when choosing a new supplier. Manroof has started to source from a new supplier in India, which is recommended by Max Havelaar. Manroof considered the factory since it processes organic cotton and is familiar with fair trade principles, which is consistent with FWF's Code of Labour Practices (CoLP). The factory is a common supplier of Manroof and two other FWF affiliates. The factory was audited by FWF audit team in 2011. Manroof is in the process to obtain the audit report.
- 1.3 Manroof forecasts production whenever possible. Lead time is dependent on the product and requirement of the customer. During the audits conducted by FWF audit team in 2011 in China, excessive overtime was found in two factories. No evidence shows that the overtime is caused by Manroof's sourcing practice.
- 1.4 Manroof considers living wage an important topic, but it is a difficult issue for the suppliers. Manroof has discussed with the suppliers to work with a consultancy company recommended by FWF to gradually increase wage and reduce overtime. Recent audits found that all workers were paid above minimum wage, but overtime premium was lower than requirement.

### *Recommendations*

- 1.3 Manroof is recommended to conduct a root cause analysis at the two factories where excessive overtime was found. Root cause analysis could help factories to identify its strength and improvement points in order to reduce overtime work.  

Many factories are able to control overtime by improving productivity and motivating workers to work effectively. Manroof could discuss with FWF verification staff on available training projects in China. The projects are provided by FWF local experts.
- 1.4 FWF has published a tool – the wage ladder- to assess wage level of factories comparing to living wage levels demanded by key stakeholders of FWF. Manroof could use the wage ladder to discuss with suppliers on how to achieve the next

wage benchmark gradually.

## 2. Coherent system for monitoring and remediation

### *Conclusions*

- 2.1 Manroof has met FWF's monitoring threshold. Manroof conducted social audits with FWF China audit team at factories that produce 74.1% of the company's total purchasing volume in the last three years. Manroof sources 14% of its purchasing volume in low risk countries such as Switzerland, Italy and Portugal. Manroof is considered to have monitored nearly 90% of its total turnover after 3 years of FWF membership.
- 2.2 Manroof CEO is the designated person to discuss and follow up on audit results regularly with suppliers. This is a strategy of the company to raise the attention on compliance issues among the suppliers.
- 2.3 Manroof has maintained records of communications with all suppliers on each Collective Action Plans. Updates are available if improvement has been realised. Manroof also identifies urgent issues to prioritise the follow-up activities.
- 2.4 100% of the Collective Action Plans have been discussed with the suppliers within the period of one year.
- 2.5 Although not all suppliers made significant improvements, Manroof was able to demonstrate evidence that the follow-up has contributed to improvement of working conditions at its most significant supplier, which producing 20.6% of Manroof's total purchasing volume. (See Chapter 4 Labour Conditions and Improvement)
- 2.6 Manroof is willing to cooperate with other FWF members to monitor working conditions whenever possible. Manroof recently started to source from an Indian manufacturer, which is a common supplier of three other FWF members.

### *Recommendations*

- 2.5 Manroof could support the suppliers by providing them with factory trainings to build capacity of workers as well as management. FWF will offer a workers training project in the four priority countries including China, Bangladesh, India and Turkey. Manroof is encouraged to invite the suppliers to sign up to the training. The training focuses on the implementation of the Code of Labour Practices and effective communications between workers and management. It is expected that both workers and management will be benefited from the project.

## 3. Complaints procedure

### *Conclusions*

- 3.1 FWF and its local complaints handlers have not received complaints from workers working at suppliers of Manroof by the time of the Performance Check.
- 3.2 There is the designated person – the CEO- to handle complaints when receive.
- 3.3 At four out of the six factories audited by FWF local audit teams, the Code of Labour Practices is posted. Most workers are not familiar with FWF and its complaints procedure.

**Requirements**

3.3 The Code of Labour Practices with contact information of FWF’s local complaints handler should be available in local languages at all suppliers. It should be posted in an easily accessible place for workers.

**Recommendations**

3.3 Manroof is encouraged to invite the suppliers to sign up to the training being provided by FWF. The training is expected to increase awareness of FWF’s Code of Labour Practices and the complaints procedure among workers.

**4. Labour conditions and improvements**

**Conclusions**

*Based on results of audits carried out by FWF teams an overview of improvements in labour conditions in factories has been drawn up. The overview is annexed to this report. Results of audits by other initiatives are not summarized.*

4.1 Four factories were audited in 2011 and 2012 in China. One of the factories was previously audited in 2009. The audit in 2011 found significant improvements at the factory. The improvements are reported in the table of the annex. The other three factories were audited by FWF local team the first time.

A summary of the results at all four factories is provided here:

- 4.1.1 Although not all factories have written policy on **forced labour, child labour and discrimination**, no violations are found regarding these issues.
- 4.1.2 **Freedom of association and the right to collective bargaining:** there is no trade union or independent workers committee at the factories. Workers are not aware of their rights in general.
- 4.1.3 **Payment of a living wage:**
  - At one factory, some workers were paid lower than minimum wage. At all other three factories workers are paid at least minimum wage. The level of wages is not at the level of living wage estimated by local stakeholders.
  - OT premiums are paid insufficiently at three factories.
  - Some workers do not know how their wages are calculated. One factory did not provide workers with payslip.
- 4.1.4 **Overtime work:**
  - Excessive overtime is found at three out of four suppliers. These three suppliers do not provide at least one day off every seven workdays for workers. Weekly overtime is up to 90 hours at one supplier, and 60-70 hours at the other suppliers.
  - Two out of four factories do not maintain working hour records.
  - One factory does not have systems to ensure overtime is voluntary.
- 4.1.5 **Health and safety:** issues regarding fire safety, chemical safety and



ergonomics are found at the suppliers.

- 4.1.6 **Legally binding employment relationship:** All four factories have only provided social insurance for a proportion of workers (up to 60%). Not all workers are provided with employment contracts at two out of the four factories.

### ***Recommendations***

- 4.1 There is a significant difference between the working conditions at the supplier which has been audited twice by FWF and those going through the first audit. Follow-up efforts of a member company are essential in improving working conditions.

Manroof could make follow-up visits to the audited factories together with FWF local resource person. FWF offers support to member companies by recommending a local specialist, usually audit supervisor, to visit the factories for the members. The local specialist could follow-up on the corrective action plans and give practical suggestions to factory managers.

## **5. Training and capacity building**

### ***Conclusions***

- 6.1 At least three staff members of Manroof are actively involved in communication with suppliers. Staffs of Manroof are informed by the CEO on FWF and the requirements.
- 6.2 Manroof has distributed the questionnaires to all its suppliers to inform them about its FWF membership and the Code of Labour Practices.
- 6.3 Workers at the suppliers of Manroof are not aware of their rights and FWF's Code of Labour Practices.

### ***Recommendations***

- 5.3 Manroof could provide workers training by joining FWF's project. The project will be launched in China during the second half year of 2012.

## **6. Information management**

### ***Conclusions***

- 7.1 The supplier register submitted to FWF by Manroof is accurate.
- 7.2 Manroof has a system to document Corrective Action Plans (CAPs) and follow up actions. There is a designated person handling the documentation.
- 7.3 The CEO of Manroof visited the suppliers regularly and discussed the CAPs. Reports of follow-up actions were submitted to the designated staff for documentation.



## 7. Transparency

### *Conclusions*

- 8.1 Logo and news of FWF are posted on Manroof's website.
- 8.2 Manroof publish the Management System Audit (MSA) report of 2010 on its website.
- 8.3 The annual social report for 2011 has been submitted to FWF.

## 8. Management system evaluation and improvement

### *Conclusions*

- 9.1 The CEO of Manroof together with other management staff is involved in the evaluation of its action on improving working conditions annually. The evaluation focuses on the follow up of Corrective Action Plans at the suppliers.

### *Recommendations*

- 8.1 Manroof could collect feedback from suppliers and use it as input to formulate work plan for the next year. This will help Manroof to further support its suppliers to make concrete steps towards full compliance.

## 9. Basic requirements of FWF membership

### *Conclusions*

- 10.1 Manroof has submitted its work plan on time and the supplier register is complete.
- 10.2 Manroof has paid its membership fee on time.

## 10. Recommendations to FWF

### *Recommendations*

N/A

## Annex: Improvement of labour condition at one supplier in China

| Labour standard / management system requirement              | Summary of findings in Nov 2009  | Summary of findings in Nov 2011   |
|--|--|---|
| Sourcing practices of Manroof                                | Not part of the audit  | Manroof is recommended to discuss with suppliers on improving wages gradually to living wage demands of local stakeholders. |
| Monitoring system of Manroof                                 | Manroof GmbH does not have a formal system to monitor the factory's social compliance status.  | No non-compliance found   |
| Management system of the factory to improve labour standards | Factory has not reported their current practice or progress on social compliance status to Manroof GmbH.   | No non-compliance found   |
| Communication and consultation                               | <p>Workers are not informed about FWF Code of labour Practices and Code of Conduct of other clients.</p> <p>Factory does not keep a register of complaints and suggestions of workers and of the factory's response.</p> | No non-compliance found   |

|   |  |  |
|---|--|--|
| No Forced labour  | Factory does not have a written policy in regard to no forced labour.  | No non-compliance found  |
| No exploitation of child labour                               | Factory does not have a written policy in regard to prohibition of child labour and protection for juvenile workers.                 | No non-compliance found  |
| No discrimination   | Factory does not have a written policy regarding discrimination.   | No non-compliance found  |
| Freedom of association and the right to collective bargaining | There is no independent union or workers committee. Workers are not aware of their rights to organize.                               | No non-compliance found  |
| Payment of a living wage                                      | The factory pays at least minimum wage. Level of wages is lower than living wage demands from FWF's key stakeholders.                | The factory pays at least minimum wage. Level of wages is lower than living wage demands from FWF's key stakeholders.<br><br>Factory employed three temporary workers in the sewing department in peak season based on time rate. However, factory does not maintain the payroll records of these temporary workers. |
| No excessive working hours                                    | Excessive overtime (more than 60 hours per week) was found in the factory. Some workers worked up to 92 hours per week occasionally. | No excessive OT is found.<br><br>Time record is maintained for most workers  |



|                                      |   |  |
|--------------------------------------|---|--|
|                                      | <p>Factory does not have a system to ensure OT is voluntary.</p> <p>Factory does not have a systematic and reliable record keeping for working hours. Manual record is used for regular 8 hours of work. OT is not accurately recorded.</p> | <p>Factory does not maintain attendance records for temporary workers.</p>   |
| Safe and healthy working environment | <p>Issues regarding fire safety, chemical safety and use of personal protective equipment are found during the audit.</p>   | <p>The factory has made improvement, though some new issues are found.</p>   |
| Employment relationship              | <p>No non-compliance found</p>  | <p>Two out of 8 employees are provided with pension, medical, unemployment, injury and maternity insurance.</p> <p>Factory does not sign labour contract with the temporary workers.</p> |