



Fair Wear Foundation

## Management system audit report

**hessnatur**

**2011-09-01**

FWF affiliated since: 2005

### Sources of information

- A: Database FWF
- B: Annual report and work plan
- C: Archived documents
- E: Stefanie Karl, Project Manager CSR
- F: Wolf Luedge (CEO)
- G: Roman Etz Korn (Head of Purchasing)

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## 1. Introduction

In September 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at hessnatur. The MSA is a tool for FWF to verify that hessnatur implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the MSA has been the work plan for 2010. FWF tailored the MSA to the specifics of the management system of hessnatur in order to assess the key issues of interest. During the MSA, employees of hessnatur were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the MSA. 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 hessnatur 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 hessnatur that have been identified as key areas of interest for 2010. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that MSA reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all MSAs on [www.fairwear.org](http://www.fairwear.org). FWF encourages hessnatur to include information from the MSA report in its social report.

## 2. Executive summary

hessnatur has been affiliated to FWF for six years. The company meets most of FWFs management system requirements and has a very systematic approach to code implementation. The level of ambition is high considering the size and complexity of the supply chain. hessnatur has developed and implemented systems to fit the company's specific way of working and has staff dedicated to keeping these systems running.

Since the last MSA, the work has focused on gathering data on wages and estimates of living wages in the production countries, auditing key suppliers in low risk countries and auditing in high risk countries using FWF audit teams.

At the end of hessnatur's financial year 2010 (end of September), the company will have covered 95% of their purchasing volume in both high and low risk countries through their monitoring system. This is above the 90% of the purchasing volume required to be covered by a coherent monitoring system. 43% is produced in low risk countries and 30% is covered by audit done by FWF audit teams. Additionally, some factories are covered by following up the corrective action plans of BSCI and WRAP audits, but this accounts for less than two percent.

During 2010 FWF evaluated the audit methodology of FWF at factory level and came with a number of recommendations. This lead hessnatur to take several steps. Firstly, hessnatur had a method development session with FWF which resulted in detailed recommendations of which several have been added to the auditing system of hessnatur. Secondly, hessnatur is now focusing their own audit on low risk countries, while for high risk countries the company use FWF audit teams where available and external service providers where needed.

Since the last MSA, hessnatur has developed their sourcing strategy further. Some of these recent developments might facilitate a closer dialogue with the production sites, something that can help facilitate dialogue on purchasing practices.

The biggest challenge for hessnatur now lies in improving working conditions on factory floor level. For example, some of the factories audited since the last MSA do not live up to legal requirements regarding payments of overtime wages and remarks on fire safety are reoccurring, even in factories audited for the second time. These non compliances are widespread in the industry, but as a FWF affiliate, hessnatur needs to engage closely with factories to make sure these problems are addressed in a sustainable way.

### 3. Positive findings

#### *Conclusions*

1. hessnatur has during the year done a wage survey to find benchmarks in production countries to compare their factories with. This is a proactive step that is complementary to FWF's development of the wage ladder tool.
2. hessnatur has a very systematic way to keep track of corrective action plans and in following up on them. The system is actively being updated to adjust to weaknesses found during factory audits and MSAs.
3. hessnatur is actively encouraging suppliers to participate in projects that go beyond the scope of auditing and corrective action plans. In Turkey, several factories have been encouraged to join a program for workers trainings organised by FWF.

### 4. Sourcing

#### *Conclusions*

1. The sourcing of hessnatur is done through intermediaries who hessnatur refers to as suppliers. These intermediaries place the orders at different production sites (what FWF normally refers to as suppliers; some of these intermediaries are equal to the place of production). The intermediaries handle all communication with the production sites including negotiations on prices and lead times. In most cases, hessnatur has no direct contact with the production sites. For negotiations on prices and lead times, hessnatur negotiates with the intermediaries. All production sites have been visited by hessnatur staff at the beginning of cooperation. Some are also visited during the time of business relation. In Thailand, Turkey and Peru the communication is done with the help of agents.
2. hessnatur has during the last year developed their sourcing strategy and practice to improve margins. Part of the ambition is to decrease the number of suppliers and be more important at a fewer strategic suppliers. In order to tie the suppliers and the production sites closer to hessnatur, the ambition is also to visit production sites in person more often. hessnatur states that their ambition is to buy as much as possible from European producers and sourcing from high risk countries is mostly to be done when there are products that need to be bought from those countries (because of a special material for example) or when it is in connection with supporting a social project. During the last year, there has been an increased ambition to source from vertically integrated factories. Another major addition to the strategy of hessnatur is the development of a new supplier in Armenia in order to be able to produce jersey with a better margin at the same time as having close control of working conditions and
3. There is a stated ambition to have long-term relations with suppliers. 42 percent of the value of products is sourced from suppliers where the relation started 2006 or later and 9 percent from suppliers where production started 2010 or later.
4. hessnatur's production of sewn products was done in 130 production sites over the past year. 66 of these are in what FWF counts as low risk, accounting for 43% of the total FOB.

5. During audits by FWF audit teams most suppliers have stated that they are satisfied with negotiations on prices and lead times. However, one supplier told that delays are sometimes caused by the fabric suppliers designated by hessnatur. During the audits done by FWF, excessive overtime and wages below local estimates of a living wage were reoccurring, in some cases also payments below legal minimum levels for overtime.
6. According to hessnatur, working conditions is one criterion when evaluating what new psuppliers they will start to work with. This is checked by hessnatur at the same time as checking the new suppliers' ability to deliver ecological products of a good enough quality.
7. If an existing supplier starts working with a new production site, the new production site needs to fill in the questionnaire and send it to hessnatur via the intermediate (the supplier) before the production starts. Since the last year, this includes ticking a box in the format to ensure that the information sheet for workers has been posted.
8. Two times a year suppliers are ranked as A, B or C suppliers. This influences what orders and volumes the suppliers will receive. The grade is given by combining the grades given to the supplier by the buyers, the technicians, the persons responsible for environment, the person responsible for working condition in the supply chain and the financial department. Working conditions carries as much weight as the other issues in this grading. If a supplier is B+ hessnatur looks into what needs doing to increase the level to A. If the supplier is B-, hessnatur waits and sees how this supplier develops. C-suppliers are normally phased out, but if crucial for production is made at a C-supplier, more effort is put into the supporting the supplier.

### ***Recommendations***

5. FWF recommends investigating the root causes of overtime in cooperation with factories. 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.
5. 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. On request FWF can share expertise to help the involved parties define a practical framework for such an agreement.

## 5. Coherent system for monitoring and remediation

### *Conclusions*

1. According to the supplier register supplied by hessnatur, around 95% of the total FOB is sourced from production sites covered by the monitoring system of hessnatur. 5% is sourced from factories in high risk countries that have not been audited yet. For companies that have been affiliated for three years or more, FWF requires that all suppliers in high risk countries contributing more than 2% of total production has been audited (and in total at least 90% of the value of production). hessnatur meets this requirement.
2. hessnatur has developed a method on how to work on monitoring their supply chain that is implemented in a systematic way. All suppliers are informed about the code through the *hessnatur's suppliers' guideline* that are send out together with the Code of Labour Practices and questionnaire that is signed and returned. Before starting production at a new production location, the questionnaire has to be signed and returned to hessnatur. After that it is decided on how to audit, either hessnatur's own audits (the hessnatur-Screens), audits by external consultants or FWF factory audits, depending on type of factory and location. During the last year, the hessnatur screen has only been used in low risk countries, mainly in Germany, while audits in high risk countries have been done with FWF teams where these are available. hessnatur also requires suppliers to send in audits done previously. The corrective action plans from these audits are included in the database of hessnatur and followed up. Through this system, hessnatur is also following up on some BSCI and WRAP audits (although less than 2% in total).
4. For high risk countries where FWF does not have an audit team, the consultancy firm TUV SUD is now developing a method of doing audits based on the FWF methodology for hessnatur. In one instance hessnatur is also doing a BSCI audit in Croatia in order to assess the possibility to work with BSCI audits.
5. Head of purchasing and design now travel to the production sites more often, and when they do, they can be instructed to check for basic things such as if the information sheet for workers is posted.
6. After the last MSA, hessnatur met with FWF to improve the scope of its own audits, the hessnatur screen. Several improvements to the hessnatur screen were made after this meeting.
7. The corrective action plans resulting from audits are followed up by hessnatur by contacting the supplier every six month to get an update on the progress. The supplier then has to contact the production site to discuss progress made and report back to hessnatur. The suppliers need to discuss any outstanding questions with the production site and then give any feedback from the production site to hessnatur. This is only done differently in Thailand, Turkey and Peru where hessnatur works via agents.

### *Recommendations*

5. It is suggested to develop a standard approach to brief staff in preparation of factory visits. Part of this briefing could be a discussion of the most important improvement

points which should be discussed with factory top management during a visit. Outcomes from factory visit should be recorded and shared with relevant staff within the company.

## 6. Complaints procedure

### *Conclusions*

1. hessnatur has a designated person to handle complaints of workers.
2. To assure that the information sheet for workers is posted, the production site has to tick a box and sign the production record that it has been posted. When staff visit production site, they are encouraged to check if the information sheet for workers is posted. During the FWF audits done since the last MSA it was found that at two out of eight production places, the information sheet for workers was not posted.
3. No complaints were filed from workers at hessnatur's production sites since the last MSA.

### *Recommendations*

2. If the present system to assure that the information sheet for workers is posted, there are ways to increase the control of this. Apart from visiting all production sites regularly, it can include asking facilities to send a photo of the posted information sheet.

## 7. Improvement of labour conditions

### *Conclusions*

Based on results of eight audits carried out by FWF teams, FWF has drawn up an overview of labour conditions in factories. The overview is annexed to this report.

1. In China two audits has been done since the last MSA by a FWF audit team. At both factories there is no functioning committee or trade union to represent the workers. Both factories pay wages below local estimates of a living wage, and one of them does neither give correct payments for overtime or statutory holidays. In both factories not all workers were covered by all legally required insurances.
2. In Mongolia one audit has been done since the last MSA. At this factory overtime was not paid according to legal requirements and overtime was not properly recorded. There was no proper grievance system in place in the factory.
3. In Turkey four FWF audits have been done since the last MSA. Two audits were done at factories previously audited by hessnatur through a "hessnatur-Screen". For a full comparison on the outcomes of the two audits, please see the appendix.

At one of the factories, the audit showed that the factory had made improvements in the payment of wages since the hessnatur audit. The factory still needed to make improvements regarding fire safety and health and safety routines. No major non compliance was found in the FWF audit that had not been detected by the hessnatur screen. It was noted that the hessnatur screen did not identify missing systems to keep



health and safety and other procedures up to date. As such, they might not be a case of noncompliance, but is the basis of sustaining good working conditions.

At the second audit at a factory previously audited by hessnatur showed some discrepancy between the outcomes, but these are hard to assess as the nature of the non compliances had changed in the time between the audits. For example, hessnatur noted that there was excessive overtime, and at the FWF audit they did not show any time records. The factory paid wages below legal requirements for overtime. Some workers were not registered. The factory also received remarks on fire safety and missing health and safety routines.

At one of the factories audited for the first time, the audit was interrupted by the management. hessnatur assured that they auditor could come back and finalise the audit. The audit then shower several health and safety issues including fire safety, excessive overtime, no internal grievance system and that not all workers were registered for social security. At the second factory audited for the first time, management refused to show wage and time records. This factory also coached the workers not to tell their real wages. At this factory, there was also no internal grievance system, contracts were missing from some workers, several remarks on health and safety including fire safety and legal requirements were not followed for the two juvenile workers in the facility.

4. In Romania one FWF audit has been done since the last MSA. The management claimed not to have been informed about the Code of Labour Practices. Employees were not properly compensated for overtime an there was no functioning internal grievance system. The factory also received some remarks on fire safety.

### ***Recommendations***

1. In China where there is limited freedom of association, it is recommended to arrange additional factory trainings that aim at strengthening social dialogue on factory level. FWF is in contact with a local NGO/local union that is active in the city where the factory is located. This NGO/union could carry out a factory training that aims at strengthening social dialogue between management and workers. As part of the training workers would learn how to organise a free ballot to elect representatives, and how to communicate effectively with management.

3. At some of the factories audited in Turkey, there was a lack of knowledge about basic legal requirements as well as absence of a systematic way of working with social compliance. FWF recommends investigating to what extent it is of added value to hire a local service provider to support factories in the process of realising improvements. FWF recommends choosing this approach if the factory has demonstrated its commitment to make improvements. According to FWFs experience with other factories of similar size, a specialised consultant can help the factory to adopt new practices that increase productivity, decrease overtime usage and improve the quality of social dialogue between workers and management. FWF can make suggestions and provide references of credible service providers on request.

1-4. In all countries, FWF found either excessive overtime or time records not good enough to assess working times properly. FWF recommends investigating the root causes of excessive overtime in cooperation with key suppliers. As part of such an analysis all incidents of overtime, their origin and severity should be recorded during a period which is representative for an entire business year. After this analysis, a step-by-



step plan could be drafted by the factory to bring the amount of working hours down to legally allowed levels. As an outcome of assessing the root causes of excessive overtime, the plan should specify how and if and to what extent the factory can control overtime hours, and to what extent hessnatur or other buyers can assist. If requested FWF is in the position to make further suggestions based on experience with similar factories. FWF could also provide references of credible service providers who could facilitate an assessment on working hours in the workplace.

## 8. Training and capacity building

### *Conclusions*

1. Staff of hessnatur is informed about FWF membership and the implementation of the Code of Labour Practices regularly in several different ways (trainings, meetings, internet, internal publications), and a component on FWF is included in training of staff. During the year 200 persons from the sales team were trained on social standards.
2. hessnatur has three agents and these have been informed about the implementation of the Code of Labour Practices. During the year there was a change of agent in Turkey. The new agent was trained and also coached during factory visits in order to assure that they could work with the social standards of hessnatur.
3. Suppliers are informed about FWF membership through the suppliers' guidelines that is sent out by hessnatur. Additionally, in September 2011 hessnatur arranged a supplier meeting for all their German speaking suppliers (55 suppliers) where they were informed about social standards.
4. Workers are informed by the information sheet for workers that are sent out to all suppliers who are asked to pass it on to the production sites. The production sites have to sign a document that they have posted the code and this is sent to hessnatur.

### *Recommendations*

3. Through the audits done by FWF, it has been shown that several of the production sites have a low level of understanding of social compliance. If intermediaries (what hessnatur refers to as supplier) do not properly discuss social compliance with the production site level, there might be a need to directly discuss these issues with the production sites. In FWF's experience, factory managers have little capacity to internalise information that is passed on only through written documents.

## 9. Information management

### *Conclusions*

1. The information management system of hessnatur is based on an access database. This database is continuously developed with more information and now covers most information required by FWF.
2. Information regarding the implementation of the Code of Labour Practices at



production site level is shared with buyers at the bi-yearly meeting where suppliers (intermediaries) are ranked as A, B or C suppliers.

## 10. Transparency

### *Conclusions*

1. hessnatur informs the public about its FWF membership through its website, a corporate blog, the catalogue and in its communication with media. Every week there is a new newsletter, one out of four is on social or environmental standards. FWF has been explained in this newsletter.
2. The annual social report of the previous year has been submitted to FWF placed on the website of hessnatur.
3. Information about FWF membership is posted the website of hessnatur in correct wording.

## 11. Management system evaluation and improvement

### *Conclusions*

1. There are meetings throughout the year focusing on the performance on social compliance and the evaluation of this. The major evaluation is done once per year in the writing of the social report.

## 12. Basic requirements of FWF membership

### *Conclusions*

1. Work plan and supplier register for the current year has been received by FWF.
2. Membership fee for 2010 has been paid.

## 13. Recommendations to FWF

### *Recommendations*

1. There is still a need to keep affiliates better updated about upcoming projects planned by FWF. This would assist the work of the affiliates so that they can plan work that is in line with FWF's upcoming activities.
2. FWF should reconsider how offsite workers interviews are done. Often they make the management defensive and even the workers might get uneasy about them. A first step should be that both management and workers are properly informed about the offsite worker interviews.
3. FWF should make sure that audit reports are sent to hessnatur within the time limits



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set out in terms for audits.

4. FWF has a too strong focus on auditing.

## Annex. Improvement of labour conditions: summary of most important findings

### *Audits in Turkey*

Factory audited by hessnatur in 2009, re-audited by FWF audit team on behalf of FWF in 2011.

Turkey	hessnatur audit July 2009	FWF audit June 2011
<b>Sourcing practices (price, leadtime, quality requirements)</b>	No findings	Lead times and price negotiations are ok according to management.
<b>Monitoring system of FWF member company</b>	Not part of audit	hessnatur conducted an audit. Management claim not to have the report to show.
<b>Management system factory to improve labour standards</b>	No findings	There is no policy of the factory to monitor and improve labour standards in the factory. No implementation of routines & procedures are observed.
<b>Communication, consultation and grievance procedure</b>	No internal grievance system exists	There are grievance or suggestion boxes in the facility but they are not effectively used. There are no elected worker's representatives for Health & Safety Committee.
<b>Employment is freely chosen</b>	No findings	No findings
<b>No discrimination in employment</b>	No findings	No findings
<b>No exploitation of child labour</b>	No findings	There is one young worker in the factory who is not registration to social security, related documents, practices, working hour records and health checks are not available for this worker.
<b>Freedom of Association and the Right to Collective Bargaining</b>	Management does not allow trade unions.	No findings
<b>Payment of a Living Wage</b>	Not every employee is paid the minimum wage according to local law. Deductions made from salary. Pay journal incomplete.	All wages according to legislation.
<b>No excessive working hours</b>	Working hours per week are not acceptable.	Time records are not reliable. Inconsistencies in recorded times and actually worked hours and days were found. Security guards work excessive overtime.
<b>Occupational health and safety</b>	Remarks on fire safety and ergonomics.	Health and Safety policies and routines missing. Remarks on fire and electrical safety. Incomplete PPE and some machinery missing safety parts.
<b>Legally binding employment relationship</b>	Management does not pay social security for all workers.	Management does not pay social security for wages above overtime.



Factory audited by hessnatur in 2009, re-audited by FWF audit team on behalf of FWF in 2011.

Turkey	hessnatur audit July 2009	FWF audit July 2011
<b>Sourcing practices (price, leadtime, quality requirements)</b>	No findings	According to management, pricing negotiations and lead times by hessnatur are ok, but the fabric suppliers designated by hessnatur does not always deliver on time.
<b>Monitoring system of FWF member company</b>	No findings	hessnatur visited the factory and conducted a brief audit and followed up with the management afterwards. The need of monitoring the subcontractors of the factory is communicated to the factory.
<b>Management system factory to improve labour standards</b>	No findings	There is no policy of the factory to monitor and improve labour standards in the factory. No implementation of routines & procedures are observed.
<b>Communication, consultation and grievance procedure</b>	Translated version of hessnatur social standards is not posted in the factory. Workers have insufficient possibilities to turn to the management regarding problems or complaints. An internal complaints procedure does not exist. No proper worker representative. Complaint box not used - suggestion to place it in the dressing room	There is grievance/suggestion box in the facility but not places in the appropriate place. No grievance procedure and effective process.
<b>Employment is freely chosen</b>	No findings	No findings
<b>No discrimination in employment</b>	No findings	No findings
<b>No exploitation of child labour</b>	Age verifying documents are not available for all workers.	No findings
<b>Freedom of Association and the Right to Collective Bargaining</b>	No findings	There is not a written FOA procedure in place.
<b>Payment of a Living Wage</b>	The pay journal is missing information.	Wages do not meet local stakeholders' estimate of a living wage. Overtime premium calculations are done wrongly. There is no method used for calculation, the calculated overtime premium rates are even lower than regular time rates. No information kept in the facility regarding the payments of daily based workers.
<b>No excessive working hours</b>	Working hours per week are not acceptable. Overtime exceeds the limit.	No time record is available.
<b>Occupational health and safety</b>	The factory does not have an accidents register. Work places are not clean.	There is no active Health and Safety system in the facility. Legally required H&S specialist is missing. There is no first aid team. Working environment checks and risk assessment reports missing. Remarks on fire safety.
<b>Legally binding employment relationship</b>	Not all workers receive contracts. Contracts are incomplete. The factory does not have a maternity leave register. The factory does not have a list of pregnant women.	Social security is not paid for overtime or wages above minimum wage. Some workers are not registered at all. There are no records regarding daily based workers. Contracts are not filled properly, missing information and contains clauses on wage deductions.

Two factories audited by FWF audit teams on behalf of hessnatur in 2011.  
These two factories had not been audited previously by hessnatur.

<b>Turkey</b>	<b>Factory A. FWF audit July 2011</b>	<b>Factory B. FWF audit August 2011</b>
<b>Sourcing practices (price, leadtime, quality requirements)</b>	According to management cooperation with hessnatur is good.	Lead times and price negotiations are acceptable according to management. However, the factory need to keep a stock of raw material and that poses a financial risk.
<b>Monitoring system of FWF member company</b>	According to management, hessnatur conducted a short visit in 2009 and gave brief information about social compliance, including the code and the need to monitor subcontractors.	hessnatur visited the factory and told them about the audit process, communicated the code and told the factory about the need to monitor subcontractors.
<b>Management system factory to improve labour standards</b>	Factory has focused on OHS and social compliance performance recently. Responsible have asked for outside assistance on some improvements.	Factory manager and accounting manager handle labour issues. Interviewed workers did not mention their real wages and working conditions including overtime
<b>Communication, consultation and grievance procedure</b>	The Code of Conduct is not communicated to the workers. There are neither elected worker representatives nor grievance or suggestion policy in the facility.	There are no elected worker representatives within the workplace. There is no grievance or suggestion policy in the facility.
<b>Employment is freely chosen</b>	No findings	No findings
<b>No discrimination in employment</b>	No findings	No findings
<b>No exploitation of child labour</b>	No findings	Legal requirements are not followed for the two juvenile workers.
<b>Freedom of Association and the Right to Collective Bargaining</b>	There is not a written FOA procedure in place.	There is not a written FOA procedure in place.
<b>Payment of a Living Wage</b>	All wages according to legislation. See wage ladder for details on living wage.	Real wages could not be reviewed.
<b>No excessive working hours</b>	There is excessive over time in the factory. Both exceeding the weekly hour limit, as well as continuous work without one days rest in seven.	Actual records of overtime is not provided
<b>Occupational health and safety</b>	There is no active Health and Safety system in the facility. Remarks on fire safety. No periodical health control of workers. Working environment checks and risk assessment report is missing. Not enough toilets for women workers. Hazardous machines are not provided with necessary protection system. Remarks on first aid boxes and first aid trained staff.	Several remarks on fire safety. No health checks done, not H&S specialist, no workplace doctor, no H&S rules, no first aid certified workers, spot removing area must be improved, missing machine protectors, and missing periodical checks or boiler and electricity.
<b>Legally binding employment relationship</b>	Not all workers are registered to social security and social security is not informed about workers real wages.	Social security administration is not informed about real wages and over time. Contracts are missing for some of the workers.





*Audits in Romania*

One factory audited by a FWF audit team on behalf of hessnatur in June 2011.

<b>Romania</b>	<b>FWF audit June 2011</b>
<b>Documentation</b>	
<b>Sourcing practices (price, leadtime, quality requirements)</b>	There has been no direct contact with hessnatur. The factory was not informed about the Code of Labour Practices.
<b>Monitoring system of FWF member company</b>	hessnatur did not inform about the complaints procedure or the Code of Labour Practices.
<b>Management system factory to improve labour standards</b>	The company has no department and / or system to implement its working-condition improvement policies
<b>Communication, consultation and grievance procedure</b>	There is a workers committee and a complaints procedure in place but the complaints system is not used often
<b>Employment is freely chosen</b>	No findings
<b>No discrimination in employment</b>	No findings
<b>No exploitation of child labour</b>	No findings
<b>Freedom of Association and the Right to Collective Bargaining</b>	No findings
<b>Payment of a Living Wage</b>	Wages meet legal provisions but are below local stakeholders' estimate of a living wage.
<b>No excessive working hours</b>	There is no OT register. It happens that employees stay after the working hours in order to finish their quota without receiving OT payment for this time.
<b>Occupational health and safety</b>	Remarks on fire safety. Not all workers use their PPE properly. The canteen space is insufficient for the number of workers. Chair for seamstresses need replacement.
<b>Legally binding employment relationship</b>	No findings



*Audits in China*

Two factories audited by FWF audit teams on behalf of hessnatur in 2011.  
These two factories had not been audited previously by hessnatur.

China	Factory A. FWF audit March 2011	Factory B. FWF audit Sept. 2010
<b>Sourcing practices (price, leadtime, quality requirements)</b>	No findings	No findings
<b>Monitoring system of FWF member company</b>	Factory does not report their current practice or progress on social compliance status to hessnatur.	FWF Code of Labour Practices is not posted in a prominent place of the factory for review of all workers
<b>Management system factory to improve labour standards</b>	Factory has a document system to improve labour standards, however, the labour conditions are not reviewed on a regular basis and workers are unaware of the system.	No findings
<b>Communication, consultation and grievance procedure</b>	Workers are not informed or consulted about the information of PRC Labour Law and Code of Conduct of other clients. A suggestion box is in place but complaints are not registered.	Workers are not informed and consulted about FWF Code of Labour Practices.
<b>Employment is freely chosen</b>	No findings	No findings
<b>No discrimination in employment</b>	No findings	No findings
<b>No exploitation of child labour</b>	No findings	No findings
<b>Freedom of Association and the Right to Collective Bargaining</b>	The factory has a policy on freedom of association and a workers committee. However, the committee members are appointed by management and few workers know about the committee.	There is no independent union or workers committee which is run by workers without management involvement.
<b>Payment of a Living Wage</b>	Overtime is not properly compensated. Production workers are not paid for statutory holidays. No monthly pay stubs are provided for workers. However, wages for a regular working week are below living wage estimated by local stakeholders consulted by FWF.	The company 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.
<b>No excessive working hours</b>	Incomplete time records.	Excessive overtime.
<b>Occupational health and safety</b>	Remarks on fire safety as well as handling of chemicals. No ergonomic program.	Remarks on ergonomics
<b>Legally binding employment relationship</b>	Not all employees were provided with medical, unemployment and maternity insurance.	Less than half of employees were provided with pension, unemployment and maternity insurance. Some employees are not provided with medical and accident insurances.



*Audits in Mongolia*

One factory audited by FWF audit team on behalf of hessnatur in 2011. This factory had not been audited previously by hessnatur.

<b>Mongolia</b>	<b>FWF Audit July 2011.</b>
<b>Sourcing practices (price, leadtime, quality requirements)</b>	No findings
<b>Monitoring system of FWF member company</b>	Prior to this audit hessnatur has not monitored the factory's compliance status.
<b>Management system factory to improve labour standards</b>	According to the management the factory has so far not reported their current practice or progress on social compliance status to hessnatur.
<b>Communication, consultation and grievance procedure</b>	No proper internal grievance system in place.
<b>Employment is freely chosen</b>	No findings
<b>No discrimination in employment</b>	No findings
<b>No exploitation of child labour</b>	No findings
<b>Freedom of Association and the Right to Collective Bargaining</b>	No findings
<b>Payment of a Living Wage</b>	All workers are insufficiently paid for overtime hours worked.
<b>No excessive working hours</b>	Working hours are insufficiently recorded by factory.
<b>Occupational health and safety</b>	Remarks on fire safety and ergonomics.
<b>Legally binding employment relationship</b>	No findings