



Fair Wear Foundation

**Management system audit report**

**Alteks.co.uk / Oroforo**

**16 February, 2011**

***FWF member since: 01 January 2010***

***Sources of information***

Database FWF

Annual report and work plan

Archived documents

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Fair Wear Foundation

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## Introduction

In February, 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Alteks.co.uk. The MSA is a tool for FWF to verify that Alteks.co.uk 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 Alteks.co.uk in order to assess the key issues of interest. During the MSA, employees of Alteks.co.uk 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 Alteks.co.uk 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 Alteks.co.uk 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 Alteks.co.uk to include information from the MSA report in its social report.



## Executive summary

Alteks.co.uk has been a member of FWF for one year and is in the process of implementing the management system requirements of FWF. Before joining FWF, Alteks.co.uk did not have a structured monitoring system for their suppliers, but has during the first year of membership taken several important steps to achieving this.

Alteks.co.uk manufactures t-shirts for high street brands throughout Europe. In addition, Alteks.co.uk has its own wholesale brand, Orotoro. All sourcing is done through one Turkish supplier that they have been working with since the company was founded. This means that Alteks.co.uk has a very stable supply chain. At their supplier they are also an important customer giving Alteks.co.uk a substantial leverage when negotiating about improvements.

During 2010 FWF conducted a factory audit at Alteks.co.uk's Turkish supplier. The audit showed that no progress on excessive overtime that had been since the first audit at the factory. Furthermore, the FWF Code of Labour Practices with the contact details to the local complaints handler was not posted in the factory. Apart from this the factory got a number of remarks on fire safety, safety equipment and routines lacking. Social Security Administration is not informed about the real gross wages of the employees. Employment contracts and personal files are not complete.

Alteks.co.uk has started a dialogue with the management to make improvements at the factory according to the corrective action plan. After difficulties in moving forward with this, Alteks.co.uk has decided to let their local staff in Turkish follow up the corrective action plan on the spot in the factory. It is yet to be seen if this will give better results. Alteks.co.uk is considering broadening its supplier base if progress is not made on the corrective action plan.

As a relatively small company with only one supplier, Alteks.co.uk has not yet had the need to build up a formalised management system for handling social standards. In following up the corrective action plan at their supplier a more formalised system will be needed. This is especially true if the supplier base is expanded.

## Positive findings

<i>Conclusions</i>
1. Alteks.co.uk has a long and stable relationship with its supplier. Alteks.co.uk is also a big customer giving them a good leverage when trying to influence the supplier.



## 1. Sourcing

### *Conclusions*

1. Alteks.co.uk manufacture clothing for high street brands throughout Europe. In addition, Alteks.co.uk has its own wholesale brand, Orotoro. All sourcing is done through one Turkish supplier. Alteks.co.uk buys the majority of Altek's production and has been working with them since the company was founded. This means a very stable supply chain and a substantial leverage when negotiating about improvements. There has so far not been a written sourcing strategy for Alteks.co.uk.
2. Working conditions and the willingness of the supplier to cooperate on improvements have so far not been a criteria when placing orders as Alteks.co.uk only has one supplier. However, Alteks.co.uk have stressed the importance of social compliance to its Turkish supplier as several of Alteks.co.uk's customers make demands regarding this and one potential client has made an audit at the supplier.
3. Alteks.co.uk asks for a production time of six to eight weeks for the t-shirts produced. In price negotiations one does not work with open costing. Factory audits show that the supplier does not keep working hours within the legal limits. However, no systematic examination of if lead times are enough for the supplier to keep working hours within legal limits. Neither has there been a systematic investigation of if prices allow to pay living wages. During 2010 the biggest challenge was to keep the step price increases under control.
4. According to the management at the Turkish supplier, most overtime is caused by unrealistic deadlines, late approval of styles, last minute changes on styles and raw material delays.
4. Alteks.co.uk is now looking to diversify its supplier base.

### *Requirements*

4. Alteks.co.uk should engage with the management of its supplier to see how problems mentioned by them as causing excessive overtime can be minimised.

### *Recommendations*

- 3-4. 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.
4. FWF recommends asking potential new suppliers to share existing audit reports as a means to assess the level of working conditions in these factories.

## 2. Coherent system for monitoring and remediation

### *Conclusions*

1. 100 percent of Alteks.co.uk's turnover that has been audited. First by SGS, and in 2010 by FWF to verify what improvements had been achieved.
2. The corrective action plans resulting from the SGS audits had not been followed up in detail apart from discussions on the overtime issue. After the FWF factory audit, Alteks.co.uk has had repeated discussions with the factory to get it to report on progress on the corrective action plan. As this has so far not been effective, Alteks.co.uk is now engaging a local staff member in Turkey to follow up on the corrective action plan.
3. So far there has been no cooperation with other customers of their supplier on the corrective action plan. As Alteks.co.uk is the biggest customer, they do not see that this would make a big difference in the dialogue.

### *Requirements*

3. Alteks.co.uk must set up a method to systematically follow up corrective action plans and ensure progress is being made.

### *Recommendations*

3. Members of the FWF audit team in Turkey can provide assistance to the local staff of Alteks.co.uk when following up the corrective action plan.
3. Alteks.co.uk can use the format for follow up of corrective action plans provided by FWF to have a system of keeping track of improvements. With such a limited supplier base, this could prove adequate for the needs of Alteks.co.uk.

## 3. Complaints procedure

### *Conclusions*

1. Alteks.co.uk has a designated person to handle complaints of workers.
2. FWF has not received any complaints from workers at Alteks.co.uk's supplier.

## 4. Improvement of labour conditions

### *Conclusions*

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



1. The Turkish supplier was audited by FWF in October 2010. The audit showed no progress on excessive overtime that had been found since the first audit. The FWF Code of Labour Practices with the contact details to the local complaints handler was not posted in the factory. Apart from this the factory got a number of remarks on fire safety, safety equipment and lacking safety routines. Social Security Administration is not informed about the real gross wages of the employees. Employment contracts and personal files are not complete.

**Requirements**

1. Alteks.co.uk needs to make sure that the information sheet for workers is posted in the factory.

**Recommendations**

1. 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. 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.

## 5. Training and capacity building

**Conclusions**

1. Staff of Alteks.co.uk has been informed about the FWF membership and the implementation of the Code of Labour Practices by the CSR responsible at Alteks.co.uk.
2. The manager of the supplier was not well informed about the FWF membership and the implementation of the Code of Labour Practices.

**Requirements**

2. The supplier of Alteks.co.uk should be properly informed about the contents of the FWF Code of Labour Practices and the procedures of FWF.

**Recommendations**

2. FWF recommends that all relevant staff at Alteks.co.uk get a good introduction to FWF. FWF can assist with a training tailored to the needs of Alteks.co.uk.

## 6. Information management

### *Conclusions*

1. As there is only one supplier, the system to keep the supplier register updated is sufficient. In the supplier register for 2010, not all relevant information for the supplier was filled in.
2. No systematic system is in place to effectively integrate information regarding sourcing and the implementation of the Code of Labour practices. However, as there is only one supplier, this has so far not been an issue for Alteks.co.uk.

### *Requirements*

1. The supplier register should be filled in completely.

### *Recommendations*

2. As the supplier base gets broadened Alteks.co.uk should make sure that they have system is in place to effectively integrate information regarding sourcing and the implementation of the Code of Labour practices. FWF can assist in showing how other members have chosen to do this.

## 7. Transparency

### *Conclusions*

1. Alteks.co.uk does not inform the public about its FWF membership through its website as the company currently has no website.

### *Requirements*

1. Information about Alteks.co.uk's FWF membership should be posted in correct wording on the webpage of the company.

## 8. Management system evaluation and improvement

### *Conclusions*

1. Alteks.co.uk is in a process of restructuring how the work with following up corrective action plans is done.



## 9. Basic requirements of FWF membership

<b><i>Conclusions</i></b>
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| <ol style="list-style-type: none"><li>1. The work plan for the current year (2011) was received in February 2011.</li><li>2. Membership fee for the previous year has been paid</li></ol> |
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<b><i>Requirements</i></b>
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| <ol style="list-style-type: none"><li>1. The deadline for the work plan is 31 December. All member companies are required to submit their workplan for the next year before 31 December.</li></ol> |
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## Annex. Improvement of labour conditions: summary of most important findings

Factory: Turkey	Source: factory audit commissioned by other buyer in 2009.	Source: FWF factory audit October 2010
Workers interviews	-	10 interviews were done off site before the audit and a further 32 on site during the factory audit.
Documentation	-	No findings
Sourcing practices (price, lead-time, quality requirements)	-	According to management most overtime is caused by unrealistic deadlines, late approval of styles, last minute changes on styles and raw material delays.
Monitoring system of FWF member company	-	The buyer has not conducted an audit before or given information to the factory about the audit process.
Management system factory to improve labour standards	-	There is no policy of the factory to monitor and improve labour standards in the factory. No implementation of routines & procedures are observed.
Communication, consultation and grievance procedure	-	The Code of Conduct is not communicated to the workers and there is no grievance procedure. There are no elected worker representatives in the Health & Safety Committee.
Employment is freely chosen	No findings	No findings
No discrimination in employment	No findings	No findings
No exploitation of child labour	No findings	No findings
Freedom of Association and the Right to Collective Bargaining	No findings	Workers are generally unaware of their rights at work and specifically about the right to organise and bargain collectively.
Payment of a Living Wage	No findings	Records of piece rate and daily workers are not kept
No excessive working hours	There are excessive working hours and the factory will bring these in line with legislation.	The audit team found conclusive evidence of excessive overtime. The management does not want to acknowledge these findings.
Occupational health and safety	No findings	Several remarks on fire safety, safety equipment and are routines lacking.
Legally binding employment relationship	No findings	Social Security Administration is not informed about the real gross wages of the employees. Employment contracts and personal files are not complete.
Special remarks	The above is the only information provided to FWF. The factory did not want to provide the full report and Alteks.co.uk did not have access to it.	