



## BRAND PERFORMANCE CHECK

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Espresso Fashion B.V.

PUBLICATION DATE: DECEMBER 2016

this report covers the evaluation period ~~01-04-2014 to 31-03-2015~~

## ABOUT THE BRAND PERFORMANCE CHECK

Fair Wear Foundation believes that improving conditions for apparel factory workers requires change at many levels. Traditional efforts to improve conditions focus primarily on the factory. FWF, however, believes that the management decisions of clothing brands have an enormous influence for good or ill on factory conditions.

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's affiliate members. The Checks examine how affiliate management systems support FWF's Code of Labour Practices. They evaluate the parts of affiliate supply chains where clothing is assembled. This is the most labour intensive part of garment supply chains, and where brands can have the most influence over working conditions.

In most apparel supply chains, clothing brands do not own factories, and most factories work for many different brands. This means that in most cases FWF affiliates have influence, but not direct control, over working conditions. As a result, the Brand Performance Checks focus primarily on verifying the efforts of affiliates. Outcomes at the factory level are assessed via audits and complaint reports, however the complexity of the supply chains means that even the best efforts of FWF affiliates cannot guarantee results.

Even if outcomes at the factory level cannot be guaranteed, the importance of good management practices by affiliates cannot be understated. Even one concerned customer at a factory can have significant positive impacts on a range of issues like health and safety conditions or freedom of association. And if one customer at a factory can demonstrate that improvements are possible, other customers no longer have an excuse not to act. The development and sharing of these types of best practices has long been a core part of FWF's work.

The Brand Performance Check system is designed to accommodate the range of structures and strengths that different companies have, and reflects the different ways that brands can support better working conditions.

This report is based on interviews with affiliate employees who play important roles in the management of supply chains, and a variety of documentation sources, financial records, supplier data. The findings from the Brand Performance Check are summarized and published at [www.fairwear.org](http://www.fairwear.org). The online [Brand Performance Check Guide](#) provides more information about the indicators.

## BRAND PERFORMANCE CHECK OVERVIEW

Expresso Fashion B.V.

Evaluation Period: ~~01-04-2014 to 31-03-2015~~

| AFFILIATE INFORMATION  |   |
|--|---|
| Headquarters:  | Diemen, Netherlands   |
| Member since:  | 01-02-2004  |
| Product types:   | Fashion, Bags & Accessories                                     |
| Production in countries where FWF is active:   | Bulgaria, China, India, Macedonia, Republic of, Tunisia, Turkey |
| Production in other countries:   | Hong Kong, Italy, Morocco, Netherlands                          |
| BASIC REQUIREMENTS   |   |
| Workplan and projected production location data for upcoming year have been submitted? | Yes   |
| Actual production location data for evaluation period was submitted?                   | Yes   |
| Membership fee has been paid?  | Yes   |
| All suppliers have been notified of FWF membership?                                    | Yes   |
| SCORING OVERVIEW   |   |
| % of own production under monitoring   | 61%   |
| Benchmarking score   | 62  |
| Category   | Needs Improvement   |

## Summary:

This report covers the period of April 2015 to March 2016.

Expresso meets most of Fair Wear Foundation's management system requirements. A total of 31% of Expresso's FOB purchasing volume is sourced from suppliers where a business relationship existed for more than 5 years. This percentage, however, stood at 42% during the preceding financial year. Similarly, Expresso is an important buyer (leverage above 10%) for suppliers that account for 47% of Expresso's total purchasing volume, while this percentage was significantly higher during the previous brand performance check (66%). At 73 out of 108 suppliers, Expresso sources less than 10% of the suppliers' production capacity. This situation brings additional risks and responsibility to monitor and remediate working conditions at large numbers of small(er) suppliers.

Expresso's main production countries are Turkey (34% of FOB), Macedonia (20%), China (17%), and Bulgaria (14%). Expresso has a relatively large and growing number of suppliers, about 108, including both main suppliers and subcontractors. Expresso's sourcing model allows placing orders with (main) suppliers that are only responsible for a small part of the production process (such as sampling or cutting), with other production processes (sewing, printing, washing) being outsourced to a host of small subcontractors. In turn, this increases the risks of CoLP violations. When possible, Expresso is advised to consolidate its supplier base; thereby favouring suppliers that are effectively making improvements in working conditions. In this regard, Expresso is advised to develop a comprehensive sourcing strategy in which sustainability is integrated.

Expresso is making a serious effort to identify all production locations and include these in the monitoring system. Follow-up on CAPs is shared by all staff responsible for relations with both CMT and RMG suppliers. It should furthermore be noted that Expresso has implemented an evaluation tool, which is used by staff from different departments to assess suppliers on different aspects including social compliance.

During the previous reporting year, Expresso effectively encouraged eight suppliers, including subcontractors in Turkey, India and Tunisia to join the Workplace Education Programme. Expresso is encouraged to motivate more suppliers (and their subcontractors) in China and Turkey, but also in Tunisia and Macedonia, to join WEP trainings. Expresso is also encouraged to continue its effort towards payment of living wages at the supplier in Macedonia.

Expresso's monitoring percentage during the reporting year stands at 61%, which is well below the 90% required for members in 3+ years of membership. During the preceding brand performance Expresso's monitoring percentage also stood below 90%, but FWF used its discretionary power to keep Expresso in the 'Good' category, expecting the monitoring percentage to increase to the required norm the year after. This has unfortunately not happened and with a monitoring percentage of 61% and a benchmark score of 62, FWF has placed Expresso in the 'Needs Improvement' category. FWF expects Expresso to raise its monitoring percentage to at least 80% during the next financial year and regain the 'Good' category.

## PERFORMANCE CATEGORY OVERVIEW

**Leader:** This category is for affiliates who are doing exceptionally well, and are operating at an advanced level. Leaders show best practices in complex areas such as living wages and freedom of association.

**Good:** It is FWF's belief that affiliates who are making a serious effort to implement the Code of Labour Practices—the vast majority of FWF affiliates—are 'doing good' and deserve to be recognized as such. They are also doing more than the average clothing company, and have allowed their internal processes to be examined and publicly reported on by an independent NGO. The majority of affiliates will receive a 'Good' rating.

**Needs Improvement:** Affiliates are most likely to find themselves in this category when major unexpected problems have arisen, or if they are unable or unwilling to seriously work towards CoLP implementation. Affiliates may be in this category for one year only after which they should either move up to Good, or will be moved to suspended.

**Suspended:** Affiliates who either fail to meet one of the Basic Requirements, have had major internal changes which means membership must be put on hold for a maximum of one year, or have been in Needs Improvement for more than one year. Affiliates may remain in this category for one year maximum, after which termination proceedings will come into force.

Categories are calculated based on a combination of benchmarking score and the percentage of own production under monitoring. The specific requirements for each category are outlined in the Brand Performance Check Guide.

## 1. PURCHASING PRACTICES

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION                               | SCORE | MAX | MIN |
|---|--------|---|---|-------|-----|-----|
| 1.1 Percentage of production volume from suppliers where affiliate buys at least 10% of production capacity | 47%    | Affiliates with less than 10% of a factories' production capacity generally have limited influence on factory managers to make changes. | Supplier information provided by affiliate. | 2     | 4   | 0   |

**Recommendation:** FWF recommends Espresso to consolidate its supplier base where possible, and increase leverage at main supplier(s) to effectively request improvements of working conditions. This could be underpinned by analysis of its supplier base and development of a sourcing strategy.

**Comment:** Espresso is an important buyer (leverage above 10%) for suppliers that account for 47% of Espresso's total purchasing volume. This percentage was significantly higher during the previous brand performance check, where Espresso had leverage above 10% at suppliers accounting for some 66% of its total FOB volume.

Espresso distinguishes between Cut-make-Trims (CMT) business, where Espresso is responsible for purchase of the fabric, and Ready-Made Garment (RMG) for which the suppliers themselves are responsible for fabric acquisition. Based on Espresso's supplier base, the number of suppliers for the RMG has gone up significantly, while these remained fairly stable for the CMT suppliers. To some extent this is caused by Espresso's sourcing model, especially for RMG, which gives main suppliers a fair degree of autonomy as to the use of production locations. Espresso supplier base in Turkey, but also in other East-European countries, consists of small main suppliers (often only responsible for sampling and/or cutting), which, in turn, outsource to several subcontractors (some employing not more than 10 workers) that are responsible for other production processes such as sewing, printing or washing. This model brings additional risks and responsibility to monitor and remediate working conditions at large numbers of small(er) suppliers.

|  |     |  |   |   |   |   |
|--|-----|--|---|---|---|---|
| 1.2 Percentage of production volume from suppliers where a business relationship has existed for at least five years | 31% | Stable business relationships support most aspects of the Code of Labour Practices, and give factories a reason to invest in improving working conditions. | Supplier information provided by affiliate. | 2 | 4 | 0 |
|--|-----|--|---|---|---|---|

**Recommendation:** FWF recommends Espresso to maintain stable business relationships with suppliers. Long term relationships support most aspects of the Code of Labour Practices, and give factories a reason to invest in improving working conditions.

**Comment:** A total of 31% (down from 42% the previous year) of Espresso's FOB purchasing volume is sourced from suppliers where a business relationship existed for more than 5 years.

|  |     |   |                           |   |   |   |
|--|-----|---|---------------------------|---|---|---|
| 1.3 All new suppliers are required to sign and return the Code of Labour Practices before first orders are placed. | Yes | The CoLP is the foundation of all work between factories and brands, and the first step in developing a commitment to improvements. | Signed CoLPs are on file. | 2 | 2 | 0 |
|--|-----|---|---------------------------|---|---|---|

**Comment:** Espresso was able to demonstrate that all new suppliers are consistently requested to share the duly completed and signed CoLP questionnaires.

|   |    |   |   |   |   |   |
|---|----|---|---|---|---|---|
| 1.4 Company conducts human rights due diligence at all new suppliers before placing orders. | No | Due diligence helps to identify, prevent and mitigate potential human rights problems at new suppliers. | Documentation may include pre-audits, existing audits, other types of risk assessments. | 0 | 4 | 0 |
|---|----|---|---|---|---|---|

**Requirement:** formal process should exist to evaluate the risks of labour violations in the production areas Espresso is operating. This evaluation should influence the decision on whether to place orders, how to prevent and mitigate risks, and what remediation steps may be necessary.

**Recommendation:** The practice of allowing the main suppliers to decide where to place the order for sewing reduces the leverage of Espresso to directly address labour conditions at these production locations. After all, it's the main supplier that places the order and not Espresso. As such, this creates an inherent risk that the supplier will 'shop around' and search for the supplier that can produce a product at the lowest costs, especially when margins are low, or simply has production capacity available. Long term business relations and adequate attention to labour conditions may not always be a determining factor in these decisions. Espresso is advised to build systems to ensure that agents sufficiently take labour conditions into account in their sourcing decisions.

**Comment:** The CMT suppliers are generally visited before production starts, but not all of the RMG suppliers are visited prior to production. During the last years a considerable number of new suppliers were added. This is often decided by the main supplier, which allocates orders to different subcontractors based on personal relations, past experience, required skills and available production capacity. When fabric is late, orders may be shifted to different subcontractors depending on target deadlines and available production capacity. Eventhough main suppliers are required to inform Espresso which production locations are being used, Espresso cannot control fully these decisions, and, as a result, often does not a good picture of the working conditions at the suubcontracted production locations. This situation is exacerbated due to the political and safety situation in Turkey, which led to a interruption of visits by Espresso to its suppliers in Turkey.

The main suppliers are required to indicate for each style which production location is being used. Subcontractors, if they are new, are requested to submit the completed questionnaire and post the Code of labour Practices. Existing third-party audit reports are also requested when available.

Going beyond the questionnaire and posting of the COLP, Espresso is working on a list of minimum requirement for new suppliers, which will have an initial focus on health and safety issues. The intention, however, is to expand that also with information on other standards. Subcontractors can then be assessed based on these requirements, possibly by the main supplier or by someone to be recruited by Espresso.

|  |     |  |   |   |   |   |
|--|-----|--|---|---|---|---|
| 1.5 Supplier compliance with Code of Labour Practices is evaluated in a systematic manner. | Yes | A systemic approach is required to integrate social compliance into normal business processes, and supports good decisionmaking. | Documentation of systemic approach: rating systems, checklists, databases, etc. | 1 | 2 | 0 |
|--|-----|--|---|---|---|---|

**Recommendation:** Espresso is encouraged to ensure that sufficient weight is attached to the assessment of working conditions in the supplier evaluation tool. As part of the system, it could be considered that the CSR department would need to give a formal green light before orders are placed. Furthermore, the tool can also include incentives for rewarding suppliers for realised improvements in working conditions.



**Comment:** Espresso has started with a simple supplier evaluation tool for the sewing locations. The tool requires different departments to score/rate suppliers on different criteria, including quality, communication, delivery time, prices and social compliance. Based on the tool, discussions took place with the CEO and it was decided to end relations with two suppliers. But there is not yet a formal system to reward them for their performance.

|   |                           |   |   |   |   |   |
|---|---------------------------|---|---|---|---|---|
| 1.6 The affiliate's production planning systems support reasonable working hours. | General or ad-hoc system. | Affiliate production planning systems can have a significant impact on the levels of excessive overtime at factories. | Documentation of robust planning systems. | 2 | 4 | 0 |
|---|---------------------------|---|---|---|---|---|

**Recommendation:** A good production planning system needs to be established based on the production capacity of the factory for regular working hours.

**Comment:** For CMT production, Espresso sources the fabrics itself, so it has certain level of control over the material delivery. Late delivery of the fabric remains the main cause for delays. A 'safety' margin of about a month is therefore taken into account to accomodate for late fabric delivery. When significant delay occurs, Espresso would fly in the goods and, depending on the reason of the delay, share the additional transportation cost with the suppliers. When samples were approved late, Espresso would take full responsibility and pay for the airfreight cost.

For RMG production, the main supplier (often only responsible for sampling) decided where to place the order for CMT within a pool of suppliers for which the minimum requirements are met. It is therefore often not fully understood whether this is leading to additional production pressure at these subcontractors. Also, Espresso demands no insight into the available production capacity at its suppliers (for planning purposes), but simply ask its main suppliers whether it can complete the order concerned by a certain deadline. Though Espresso shows flexibility, this may at times result in excessive overtime.

|  |                      |  |   |   |   |   |
|--|----------------------|--|---|---|---|---|
| 1.7 Degree to which affiliate mitigates root causes of excessive overtime. | Intermediate efforts | Some production delays are outside of the control of affiliates; however there are a number of steps that can be taken to address production delays without resorting to excessive overtime. | Documentation of root cause analysis and positive steps taken to manage production delays or improve factory processes. | 3 | 6 | 0 |
|--|----------------------|--|---|---|---|---|

**Requirement:** Espresso should investigate to what extent its current buying practices has an effect on the working hours at supplier level. A root cause analysis of excessive overtime should be done to investigate which steps can be most effective to reduce overtime. Espresso should encourage its suppliers to be transparant regarding overtime hours.

**Comment:** FWF audit in 2015 showed that excessive overtime has occured at a subcontractor of an Espresso main supplier in Turkey. Audits at suppliers in Bulgaria indicated that factories did not keep an overtime record and overtime could therefore not be verified.

Espresso believes that late fabric delivery is the main reason for product delay, and the primary reason why suppliers had to work overtime. However, Espresso feels it has limited influence on fabric delivery (especially for RMG production).

|  |                      |  |  |   |   |   |
|--|----------------------|--|--|---|---|---|
| 1.8 Affiliate's pricing policy allows for payment of at least the legal minimum wages in production countries. | Country-level policy | The first step towards ensuring the payment of minimum wages - and towards implementation of living wages - is to know the labour costs of garments. | Formal systems to calculate labour costs on per-product or country/city level. | 2 | 4 | 0 |
|--|----------------------|--|--|---|---|---|

**Recommendation:** Increased transparency in costing and productivity gives insight in the labour costs per product. This forms the basis for ensuring enough is paid to cover at least minimum wage and for making steps towards living wages.

**Comment:** Other than through audit reports, it is difficult for Espresso to know whether suppliers pay legal minimum wages. Suppliers do not share the detailed costing figures with Espresso. Open book costing is not applied with any of Espresso's suppliers. In such case, it is difficult to determine whether FOB prices suffice to pay at least minimum wages.

When the legal minimum wage went up in Turkey, Espresso was willing to increase FOB prices of products produced in Turkey.

|   |     |  |   |   |   |    |
|---|-----|--|---|---|---|----|
| 1.9 Affiliate actively responds if suppliers fail to pay legal minimum wages. | Yes | If a supplier fails to pay minimum wage, FWF affiliates are expected to hold management of the supplier accountable for respecting local labour law. | Complaint reports, CAPs, additional emails, FWF audit reports or other documents that show minimum wage issue is reported/resolved. | 1 | 2 | -2 |
|---|-----|--|---|---|---|----|

**Requirement:** If a supplier fails to pay minimum wages, FWF member companies are expected to hold management of the supplier accountable for respecting local labour law and require a time bound action plan to ensure adequate payment.

**Comment:** At a subcontractor of one of Expresso's main suppliers in Turkey, payment below legal minimum wage was found. It is very difficult for Expresso to control what prices are being paid by the main supplier to the subcontractors. Eventhough Expresso did raise the issue, the supplier has since indicated that it is no longer willing to produce for Expresso, so follow-up could not be ensured. For suppliers in Bulgaria, no OT records were kept, so it was difficult to assess whether wages above legal minimum wage were paid. However, at one supplier in Bulgaria, it was found OT premium was calculated incorrectly. Expresso has taken the view that it rather focuses on remediation at the main suppliers first.

|   |    |  |  |   |   |    |
|---|----|--|--|---|---|----|
| 1.10 Evidence of late payments to suppliers by affiliate. | No | Late payments to suppliers can have a negative impact on factories and their ability to pay workers on time. Most garment workers have minimal savings, and even a brief delay in payments can cause serious problems. | Based on a complaint or audit report; review of factory and affiliate financial documents. | 0 | 0 | -1 |
|---|----|--|--|---|---|----|

|   |                       |   |  |   |   |   |
|---|-----------------------|---|--|---|---|---|
| 1.11 Degree to which affiliate assesses root causes of wages lower than living wages with suppliers and takes steps towards the implementation of living wages. | Supply chain approach | Sustained progress towards living wages requires adjustments to affiliates' policies. | Documentation of policy assessments and/or concrete progress towards living wages. | 6 | 8 | 0 |
|---|-----------------------|---|--|---|---|---|

**Recommendation:** FWF encourages Espresso to continue discussions with suppliers about possibilities to work towards higher benchmarks. FWF has developed experience with approaches that ensure that production workers in the selected facility take full benefit from the additional amounts that are committed to wage increases. FWF could give companies specific guidance on process rollout on request. FWF advises companies to avoid the concept of a one-time charitable contribution, and strongly recommends Espresso to commit to a long term process that leads to sustainable implementation of living wages.

**Comment:** One of Espresso's CMT producers in Turkey, which produces a Never-out-of-Stock collection, asked for an increase of the FOB price in response to the increase in legal minimum wage level in Turkey. Other suppliers in Turkey did not make similar requests and discussions were also not initiated by Espresso to this end.

Espresso supports a living wage project at a supplier in Macedonia, which showed transparency and was willing to share payroll information. The project is moving along very slowly, though Espresso was successful in keeping its supplier engaged in the process. Lack of transparency of labour costs as part of product cost breakdown is hampering meaningful discussions on a wage increase and how Espresso can support this.

|   |      |   |   |     |   |   |
|---|------|---|---|-----|---|---|
| 1.12 Affiliate sources from an FWF factory member.                          | No   | When possible, FWF encourages affiliates to source from FWF factory members. On account of the small number of factories this is a 'bonus' indicator. Extra points are possible, but the indicator will not negatively affect an affiliate's score. | Supplier information provided by affiliate. | N/A | 1 | 0 |
| 1.13 Percentage of production volume from factories owned by the affiliate. | None | Owning a supplier increases the accountability and reduces the risk of unexpected CoLP violations. Given these advantages, this is a bonus indicator. Extra points are possible, but the indicator will not negatively affect an affiliate's score. | Supplier information provided by affiliate. | N/A | 2 | 0 |

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## PURCHASING PRACTICES

Possible Points: 40

Earned Points: 21

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## 2. MONITORING AND REMEDIATION

| BASIC MEASUREMENTS  | RESULT | COMMENTS   |
|---|--------|--|
| % of own production under standard monitoring (excluding low-risk countries)                          | 60%    |  |
| % of own production in low risk production countries where FWF's Low Risk policy has been implemented | 1%     | FWF low risk policy should be implemented. 0 = policy is not implemented correctly. N/A = no production in low risk countries. |
| Total of own production under monitoring  | 61%    | Minimums: 1 year: 40%; 2 years 60%; 3 years+: 90% Measured as a percentage of turnover.  |

| PERFORMANCE INDICATORS   | RESULT       | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------------|---|--|-------|-----|-----|
| 2.1 Specific staff person is designated to follow up on problems identified by monitoring system | Yes          | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis.                                      | Manuals, emails, etc., demonstrating who the designated staff person is. | 2     | 2   | -2  |
| 2.2 Degree of progress towards resolution of existing Corrective Action Plans                    | Intermediate | FWF considers efforts to resolve CAPs to be one of the most important things that affiliates can do towards improving working conditions. | Documentation of remediation and followup actions taken by affiliate.    | 4     | 8   | -2  |

**Requirement:** Resolving and remediating non-compliances is one of the most important criteria FWF affiliates can do towards improving working conditions. FWF expects Espresso to examine and support remediation of any problem that they encounter, at all suppliers audited. Coordinated efforts between different departments are required to ensure sustained responses to CAPs.

**Comment:** Espresso keeps track of progress on all CAPs from all audits, including FWF audits and third-party audits. The sustainability manager of Espresso shares the CAPs with suppliers and follows-up through e-mail communication. The sustainability manager also visits factories to raise awareness, discuss implementation and encourage factories to make improvements. The status of findings is monitored in a systematic approach with efforts that are coordinated between different staff, including product managers, which have influence over supply chain conditions. Proof of remediation work is collected by Espresso. Documents and pictures are filed in the CAP and the status of findings monitored during visits.

A supplier of Espresso in Turkey, audited during the previous financial year, is no longer producing for Espresso, which made follow-up difficult. In Bulgaria several FWF audits took place. However, Espresso decided to focus mostly on follow-up of the CAP at the main supplier and less on the audited subcontractors (rather than verifying the posting of the COLP). In general, following up on audits at subcontractors is more difficult as the main supplier (instead of Espresso) is responsible to place orders there.

|   |  |   |  |   |   |   |
|---|--|---|--|---|---|---|
| 2.3 Percentage of production volume from suppliers that have been visited by the affiliate in the past financial year | 75%  | Formal audits should be augmented by annual visits by affiliate staff or local representatives. They reinforce to factory managers that affiliates are serious about implementing the Code of Labour Practices. | Affiliates should document all factory visits with at least the date and name of the visitor.  | 4 | 4 | 0 |
| 2.4 Existing audit reports from other sources are collected.  | Yes, quality assessed and corrective actions implemented | Existing reports form a basis for understanding the issues and strengths of a supplier, and reduces duplicative work.   | Audit reports are on file; evidence of followup on prior CAPs. Reports of quality assessments. | 3 | 3 | 0 |

**Comment:** When questionnaires indicate that social audits have taken place previously, the supplier is requested to share these for review. Based on the above, Espresso will discuss the current compliance status of the factories and the willingness of making improvements on labour conditions.

Expresso has collected some external audit reports and used the FWF quality assessment tool to determine the quality and scope of the audit. Implementation of the corrective actions are followed-up and monitored.

|  |     |   |  |   |   |    |
|--|-----|---|--|---|---|----|
| 2.5 Audit Report and Corrective Action Plan (CAP) findings are shared with factory. Improvement timelines are established in a timely manner | Yes | 2 part indicator: FWF audit reports were shared and discussed with suppliers within two months of audit receipt AND a reasonable time frame was specified for resolving findings. | Corrective Action Plans, emails; findings of followup audits; brand representative present during audit exit meeting, etc. | 2 | 2 | -1 |
|--|-----|---|--|---|---|----|

**Comment:** The sustainability manager of Expresso shares the audit report with the supplier in a timely manner and indicates which improvements are to be made as a matter of priority. However, when several FWF audits took place in Bulgaria, Expresso decided to focus mostly on follow-up of the CAP at the main supplier and less on the audited subcontractors.

|  |                       |   |  |   |   |   |
|--|-----------------------|---|--|---|---|---|
| 2.6 High risk issues specific to the affiliate's supply chain are identified and addressed by the monitoring system. | Intermediate Capacity | Different countries and products have different risks associated with them; monitoring systems should be adapted to allow appropriate human rights due diligence for the specific risks in each affiliates' supply chain. | Documentation may take many forms; additional research, specific FWF project participation; extra monitoring activities, extra mitigation activities, etc. | 3 | 6 | 0 |
|--|-----------------------|---|--|---|---|---|

**Recommendation:** Expresso is advised to devise systems to mitigate against risks of COLP violations. Expresso could consider to recruit a consultant (possibly working at the group holding level) in Turkey to monitor working conditions



Comment: Drawing mostly from FWF country studies, as well as FWF audit reports, Espresso demonstrated a good understanding of the relevant country-specific risks. The challenge will be to devise a monitoring system to address these risks consistently throughout Espresso's supply chains. Knowing that Syrian refugees working at small subcontracted workshops in Turkey is a specific risk for Espresso, means that due diligence, monitoring and sourcing decisions must be arranged in a way to mitigate such risks. An additional complicating factor is that Espresso has imposed a travel-ban for Turkey.

|  |                            |   |   |     |   |    |
|--|----------------------------|---|---|-----|---|----|
| 2.6a High risk issues specific to Bangladesh are identified and addressed by the monitoring system and remediation activities. | Not sourcing in Bangladesh | Affiliates sourcing in Bangladesh should take additional action to address both building and fire safety and the prevention of violence against women.  | Building, electrical and fire safety inspection reports, evidence of cooperation with other customers sourcing at the same factories (Accord signatories and/or FWF affiliates), etc. | N/A | 3 | 0  |
| 2.6b High risk issues specific to Myanmar are identified and addressed by the monitoring system and remediation activities.    | Not sourcing in Myanmar    | Myanmar is still in the process of establishing the legal and civil society infrastructure needed to ensure compliance with labour rights. Extra care must be taken when doing business in Myanmar.                                     | Shared CAPs, Wage Ladders per factory.  | N/A | 3 | 0  |
| 2.7 Affiliate cooperates with other customers in resolving corrective actions at shared suppliers                              | Active cooperation         | Cooperation between customers increases leverage and chances of successful outcomes. Cooperation also reduces the chances of a factory having to conduct multiple Corrective Action Plans about the same issue with multiple customers. | Shared CAPs, evidence of cooperation with other customers.  | 2   | 2 | -1 |

**Comment:** Espresso shares suppliers with several other FWF members. Espresso is always willing to share information and collaborate with other FWF members on FWF monitoring requirements or CAP follow-up.

|  |    |   |   |   |   |   |
|--|----|---|---|---|---|---|
| 2.8 Monitoring requirements are fulfilled for production in low-risk countries | No | Low risk countries are determined by the presence and proper functioning of institutions which can guarantee compliance with basic standards. | Documentation of visits, notification of suppliers of FWF membership; posting of worker information sheets, completed questionnaires. | 0 | 2 | 0 |
|--|----|---|---|---|---|---|

**Requirement:** Monitoring requirements need to be fulfilled for production in low-risk countries in order for it to be counted towards the monitoring threshold. All production sites in low-risk countries must:

- Be visited annually by affiliate representatives;
- Be informed of FWF membership and return the completed CoLP questionnaire before production orders are placed;
- Be aware of specific risks identified by FWF;
- Have the FWF Worker Information Sheet posted in local languages.

**Comment:** A number of suppliers in low risk countries Italy and the Netherlands have not been visited by Espresso during the previous financial year.

|  |                           |  |                             |     |   |   |
|--|---------------------------|--|-----------------------------|-----|---|---|
| 2.9 External brands resold by the affiliate who have completed and returned the external brand questionnaire. (% of external sales volume) | No external brands resold | FWF believes it is important for affiliates that have a retail/wholesale arm to at least know if the brands they resell are members of FWF or a similar organisation, and in which countries those brands produce goods. | Questionnaires are on file. | N/A | 3 | 0 |
|--|---------------------------|--|-----------------------------|-----|---|---|

|   |                           |   |   |     |   |   |
|---|---------------------------|---|---|-----|---|---|
| 2.10 External brands resold by affiliates that are members of another credible initiative. (% of external sales volume) | No external brands resold | FWF believes affiliates who resell products should be rewarded for choosing to stock external brands who also take their supply chain responsibilities seriously. | External production data in FWF's information management system. Documentation of sales volumes of products made by FWF or FLA members. | N/A | 3 | 0 |
|---|---------------------------|---|---|-----|---|---|

## MONITORING AND REMEDIATION

Possible Points: 29

Earned Points: 20

### 3. COMPLAINTS HANDLING

| BASIC MEASUREMENTS                                       | RESULT | COMMENTS   |
|--|--------|--|
| Number of worker complaints received since last check    | 3      | At this point, FWF considers a high number of complaints as a positive indicator, as it shows that workers are aware of and making use of the complaints system. |
| Number of worker complaints in process of being resolved | 0      |  |
| Number of worker complaints resolved since last check    | 3      |  |

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|---|--------|--|--|-------|-----|-----|
| 3.1 A specific employee has been designated to address worker complaints            | Yes    | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is.     | 1     | 1   | -1  |
| 3.2 System exists to check that the Worker Information Sheet is posted in factories | Yes    | The Worker Information Sheet is a key first step in alerting workers to their rights.                | Photos by company staff, audit reports, checklists from factory visits, etc. | 2     | 2   | 0   |

**Comment:** Espresso checked the situation either through audits or factory visits. The production managers used FWF's Occupational Safety and Health checklist when visiting factories. The list included checking the posting of Workers information sheet. Pictures are consistently taken and kept on file.

|  |     |  |  |   |   |    |
|--|-----|--|--|---|---|----|
| 3.3 Percentage of FWF-audited factories where at least half of workers are aware of the FWF worker helpline. | 50% | The FWF complaints procedure is a crucial element of verification. If factory-based complaint systems do not exist or do not work, the FWF worker helpline allows workers to ask questions about their rights and file complaints. Factory participation in the Workplace Education Programme also count towards this indicator. | Percentage of audited factories where at least 50% of interviewed workers indicate awareness of the FWF complaints mechanism + percentage of factories in WEP programme. | 3 | 4 | -2 |
|--|-----|--|--|---|---|----|

**Recommendation:** Espresso can stimulate its suppliers to participate in WEP trainings, to raise awareness about the existence and the functioning of FWF's worker hotline. In addition to sending the worker information sheet, affiliates can use the worker information cards available for download on FWF's website.

**Comment:** During the previous financial year Espresso has enrolled a number of its suppliers in Turkey, India and Tunesia into the WEP.

|  |     |   |   |   |   |    |
|--|-----|---|---|---|---|----|
| 3.4 All complaints received from factory workers are addressed in accordance with the FWF Complaints Procedure | Yes | Providing access to remedy when problems arise is a key element of responsible supply chain management. Affiliate involvement is often essential to resolving issues. | Documentation that affiliate has completed all required steps in the complaints handling process. | 3 | 6 | -2 |
|--|-----|---|---|---|---|----|

**Comment:** Espresso actively followed up on complaints in Turkey. However, its ability to effectively remediate some of the more complex issues were constrained by low leverage at some of the subcontracted production locations where violations were found.

|  |                    |  |  |   |   |    |
|--|--------------------|--|--|---|---|----|
| 3.5 Cooperation with other customers in addressing worker complaints at shared suppliers | Active cooperation | Because most factories supply several customers with products, involvement of other customers by the FWF affiliate can be critical in resolving a complaint at a supplier. | Documentation of joint efforts, e.g. emails, sharing of complaint data, etc. | 2 | 2 | -2 |
|--|--------------------|--|--|---|---|----|

**Comment:** Complaints were received at shared suppliers in China and Turkey. Collaboration with the other FWF member companies was good, and complaints were addressed effectively.

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## COMPLAINTS HANDLING

Possible Points: 15

**Earned Points: 11**

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## 4. TRAINING AND CAPACITY BUILDING

| PERFORMANCE INDICATORS                                     | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION                                      | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 4.1 All staff is made aware of FWF membership requirements | Yes    | Preventing and remediating problems often requires the involvement of many different departments; making all staff aware of FWF membership requirements helps to support cross-departmental collaboration when needed. | Emails, trainings, presentation, newsletters, etc. | 1     | 1   | -1  |

**Comment:** As Espresso has been a long term member of FWF, most senior employees have good knowledge of FWF requirements. In addition, Espresso communicates about sustainability issues to all employees through an internal newsletter. It is furthermore positive to note that Espresso has hired an additional staff to work on sustainability, who will also focus on linking Espresso's sustainability work to the FNG Group at large.

|  |     |  |   |   |   |   |
|--|-----|--|---|---|---|---|
| 4.2 Ongoing training in support of FWF requirements is provided to staff in direct contact with suppliers. | Yes | Sourcing, purchasing and CSR staff at a minimum should possess the knowledge necessary to implement FWF requirements and advocate for change within their organisations. | FWF Seminars or equivalent trainings provided; presentations, curricula, etc. | 2 | 2 | 0 |
|--|-----|--|---|---|---|---|

**Comment:** Last year Espresso's sustainability coordinator arranged a training on health and safety for all production managers.

|  |                               |   |   |     |   |    |
|--|-------------------------------|---|---|-----|---|----|
| 4.3 All sourcing contractors/agents are informed about FWF's Code of Labour Practices. | Affiliate does not use agents | Agents have the potential to either support or disrupt CoLP implementation. It is the responsibility of affiliate to ensure agents actively support the implementation of the CoLP. | Correspondence with agents, trainings for agents, FWF audit findings. | N/A | 2 | -2 |
|--|-------------------------------|---|---|-----|---|----|

**Recommendation:** Espresso may want to consider to hire a local resource person in Turkey to follow-up on FWF requirements and corrective action plans. This could possibly be done together with other brands falling under the same parent concern 'FNG'.

**Comment:** Espresso mainly work with main suppliers which then outsource production to subcontractors that are responsible for different production processes such as CM, washing, dyeing, etc. Though the main suppliers are not agents as such, they do have an important role to ensure that FWF membership requirements are respected at the subcontractors and CAPs are being addressed. However, this is potentially constrained by the fact that the main suppliers are not independent and have strong commercial interests that guide their sourcing decisions.

|   |     |  |  |   |   |   |
|---|-----|--|--|---|---|---|
| 4.4 Factory participation in Workplace Education Programme (where WEP is offered; by production volume) | 15% | Lack of knowledge and skills on best practices related to labour standards is a common issue in factories. Good quality training of workers and managers is a key step towards sustainable improvements. | Documentation of relevant trainings; participation in Workplace Education Programme. | 2 | 6 | 0 |
|---|-----|--|--|---|---|---|

**Recommendation:** Espresso could motivate more suppliers (and their subcontractors) in China and Turkey, but also in Tunisia and Macedonia, to join WEP trainings.

**Comment:** During the previous financial year Espresso has enrolled 8 suppliers and subcontractors, in Turkey, India and Tunisia into the WEP.

|   |    |  |   |   |   |   |
|---|----|--|---|---|---|---|
| 4.5 Factory participation in trainings (where WEP is not offered; by production volume) | 0% | In areas where the Workplace Education Programme is not yet offered, affiliates may arrange trainings on their own or work with other training-partners. Trainings must meet FWF quality standards to receive credit for this indicator. | Curricula, other documentation of training content, participation and outcomes. | 0 | 4 | 0 |
|---|----|--|---|---|---|---|

**Recommendation:** In order to further communication between employers and workers in the workplace FWF recommends affiliates to ensure suppliers participate in trainings. Trainings must meet FWF quality standards to receive credit for this indicator: top management, supervisors and workers should be included in the trainings, separately. Workplace standards and dispute handling should be included in the training. At least 10-20% of the workforce must be trained, depending on the size of the factory. Worker participations should be balanced and representative.



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## TRAINING AND CAPACITY BUILDING

Possible Points: 13

Earned Points: 5

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## 5. INFORMATION MANAGEMENT

| PERFORMANCE INDICATORS                                   | RESULT       | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------------|---|--|-------|-----|-----|
| 5.1 Level of effort to identify all production locations | Intermediate | Any improvements to supply chains require affiliates to first know all of their production locations. | Supplier information provided by affiliate. Financial records of previous financial year. Documented efforts by affiliate to update supplier information from its monitoring activities. | 3     | 6   | -2  |

**Recommendation:** Espresso could explore the possibility to consolidate more orders at a smaller number of suppliers.

**Comment:** In Turkey the use of subcontractors (sometimes not going beyond small informal workshops with 10 workers) is common in Espresso's supply chain. Though Espresso has a good understanding of subcontractors used, there is no system to prevent unauthorised suppliers and subcontractors. Having said that, Espresso consistently includes all known subcontractors in the database and has arranged FWF audits and WEP trainings at subcontractors' production locations.

|  |     |  |   |   |   |    |
|--|-----|--|---|---|---|----|
| 5.2 A system exists to allow purchasing, CSR and other relevant staff to share information with each other about working conditions at suppliers | Yes | CSR, purchasing and other staff who interact with suppliers need to be able to share information in order to establish a coherent and effective strategy for improvements. | Internal information system; status CAPs, reports of meetings of purchasing/CSR; systematic way of storing information. | 1 | 1 | -1 |
|--|-----|--|---|---|---|----|

**Comment:** A shared drive is used by all staff that require access to supplier data. On a case by case basis meetings are arranged between production staff, the CSR manager and CEO.

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## INFORMATION MANAGEMENT

Possible Points: 7

Earned Points: 4

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## 6. TRANSPARENCY

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION   | SCORE | MAX | MIN |
|---|--------|---|---|-------|-----|-----|
| 6.1 Communication about FWF membership adheres to the FWF communications policy | Yes    | FWF membership should be communicated in a clear and accurate manner. FWF guidelines are designed to prevent misleading claims. | Logo is placed on website; other communications in line with policy. Affiliates may lose points if there is evidence that they did not comply with the communications policy. | 1     | 1   | -2  |

Comment: Espresso communicates about FWF through the company website, social media, and through publications such as the social report and the company catalogue. In addition, Espresso publishes a quarterly magazine that is, among others, used to report on sustainability issues. Furthermore, in the Espresso's stores a small booklet, that explains FWF membership requirements, is available for interested customers. Membership is described in correct wording.

|  |     |   |   |   |   |   |
|--|-----|---|---|---|---|---|
| 6.2 Affiliate engages in advanced reporting activities | Yes | Good reporting by members helps to ensure the transparency of FWF's work and shares best practices with the industry. | Affiliate publishes one or more of the following on their website: Brand Performance Check, Audit Reports, Supplier List. | 1 | 1 | 0 |
|--|-----|---|---|---|---|---|

Comment: The brand performance check report is published on Espresso's website.

|   |                                  |   |   |   |   |    |
|---|----------------------------------|---|---|---|---|----|
| 6.3 Social Report is submitted to FWF and is published on affiliate's website | Published on affiliate's website | The Social Report is an important tool for affiliates to transparently share their efforts with stakeholders. | Report adheres to FWF guidelines for Social Report content. | 2 | 2 | -2 |
|---|----------------------------------|---|---|---|---|----|

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## TRANSPARENCY

Possible Points: 4

Earned Points: 4

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## 7. EVALUATION

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 7.1 Systemic annual evaluation of FWF membership is conducted with involvement of top management | Yes    | An annual evaluation involving top management ensures that FWF policies are integrated into the structure of the company. | Meeting minutes, verbal reporting, Powerpoints, etc. | 2     | 2   | 0   |

Comment: The sustainability coordinator has frequent contact with the CEO to discuss sustainability-related issues including FWF membership requirements.

|  |     |   |  |   |   |    |
|--|-----|---|--|---|---|----|
| 7.2 Changes from previous Brand Performance Check implemented by affiliate | 50% | In each Brand Performance Check report, FWF may include requirements for changes to management practices. Progress on achieving these requirements is an important part of FWF membership and its process approach. | Affiliate should show documentation related to the specific requirements made in the previous Brand Performance Check. | 4 | 4 | -2 |
|--|-----|---|--|---|---|----|

Comment: During the previous brand performance check two requirements were formulated:

- 1) A formal process should exist to evaluate the risks of labour violations in the production areas Espresso is operating. This evaluation should influence the decision on whether to place orders, how to prevent and mitigate risks, and what remediation steps may be necessary.
- 2) A systematic approach is required to integrate social compliance into normal business processes, and supports good decision-making. The approach needs to ensure that Espresso consistently evaluates the entire supplier base and includes information into decision-making procedures.

During the previous financial year, Espresso has made steps to evaluate suppliers systematically on social compliance. However, Espresso sourcing model is considered to insufficiently mitigate against risks of code violations.

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## EVALUATION

Possible Points: 6

Earned Points: 6

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## RECOMMENDATIONS TO FWF

FWF should facilitate more sharing between FWF member companies based in Netherlands.  
It would be appreciated if FWF could offer assistance to develop a sustainable sourcing strategy.



## SCORING OVERVIEW

| CATEGORY                       | EARNED | POSSIBLE |
|--------------------------------|--------|----------|
| Purchasing Practices           | 21     | 40       |
| Monitoring and Remediation     | 20     | 29       |
| Complaints Handling            | 11     | 15       |
| Training and Capacity Building | 5      | 13       |
| Information Management         | 4      | 7        |
| Transparency                   | 4      | 4        |
| Evaluation                     | 6      | 6        |
| Totals:                        | 71     | 114      |

BENCHMARKING SCORE (EARNED POINTS DIVIDED BY POSSIBLE POINTS)

62

PERFORMANCE BENCHMARKING CATEGORY

Needs Improvement

## BRAND PERFORMANCE CHECK DETAILS

Date of Brand Performance Check:

04-10-2016

Conducted by:

Koen Oosterom

Interviews with:

Marieke Weemaes, Sustainability Coordinator

Larissa Doorn: Manager RMG production

Kim ter Haar: Product development

José Hartong, Manager CMT production

Esther van Eijk, Marketing

Frits Helmstrijd, Director

Audit Summary:

Publication of the audit summary section previously included in Brand Performance Checks has been suspended while Fair Wear Foundation develops a new information system to manage and summarize the data.