



BRAND PERFORMANCE CHECK

Takko Holding GmbH

PUBLICATION DATE: MAY 2017

this report covers the evaluation period 01-02-2016 to 31-01-2017

ABOUT THE BRAND PERFORMANCE CHECK

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

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's member companies. The Checks examine how member company management systems support FWF's Code of Labour Practices. They evaluate the parts of member company 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 product locations, and most product locations work for many different brands. This means that in most cases FWF member companies have influence, but not direct control, over working conditions. As a result, the Brand Performance Checks focus primarily on verifying the efforts of member companies. Outcomes at the product location level are assessed via audits and complaint reports, however the complexity of the supply chains means that even the best efforts of FWF member companies cannot guarantee results.

Even if outcomes at the product location level cannot be guaranteed, the importance of good management practices by member companies cannot be understated. Even one concerned customer at a product location 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 product location 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 member company 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. The online [Brand Performance Check Guide](#) provides more information about the indicators.

BRAND PERFORMANCE CHECK OVERVIEW

Takko Holding GmbH

Evaluation Period: 01-02-2016 to 31-01-2017

MEMBER COMPANY INFORMATION	
Headquarters:	Friedrichsdorf, Germany
Member since:	01-10-2011
Product types:	Fashion
Production in countries where FWF is active:	Bangladesh, Bulgaria, China, India, Myanmar, Tunisia, Turkey
Production in other countries:	Cambodia, Italy, Pakistan, Poland, Portugal, Sri Lanka
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
SCORING OVERVIEW	
% of own production under monitoring	92%
Benchmarking score	67
Category	Good

Summary:

Takko met most FWF's management system requirements to improve working conditions. Takko monitored 92% of its total purchasing volume, which is well above the 90% required of brands in 3+ years of membership. Combined with a benchmarking score of 67, this places Takko in the 'Good' category. With a process of consolidation of the supplier base, it is noted that the total FOB volume from suppliers with which Takko enjoys a long-term business relation exceeding five years has increased from 51% to 58%. Takko is an important buyer (leverage above 10%) for suppliers that account for 78% (up from 72%) of Takko's total purchasing volume. As Takko has a large number of factories/production locations (around 330), only a few (5 out of 330) account for more than 2% of Takko's total purchasing volume. In fact, 270 of Takko's suppliers account for less than 0.5% of Takko's total FOB volume.

Takko's audit reports are generally of good quality, but often lack specific information, e.g. findings on excessive overtime are often not in line with the FWF audits. This will continue to require attention. Takko should arrange a training of Takko compliance staff by FWF and arrange a process of intervision, with FWF audit supervisors joining some of the Takko audits. Takko is also advised to arrange for off-site worker interviews as an important source of information prior to on-site audit visits.

Thanks to its local offices in South East Asia, Takko is frequently auditing its suppliers and is able to actively remediate complaints and audit findings. However, in high-risk countries where Takko has no local auditors (including Turkey, Pakistan and Myanmar), monitoring and follow-up is less strong.

Takko has strong system for due diligence in place. Agents are only allowed to place orders at a pool of pre-approved suppliers. New suppliers need to be approved first by the CSR team and need to have either a recent and complete third-party audit or Takko audit. Depending on the results of these audits, Takko will approve new suppliers. Local Takko teams are following up on quality or social compliance directly and regularly with the factory, which means it has a good understanding of the production locations and can exercise leverage to work effectively on remediation.

In its monitoring, Takko needs to pay more attention to address excessive overtime and it needs to develop a pricing policy where the company staff knows that their prices are allowing for the payment of at least legal minimum wages in production countries, which means labour costs per product should be known. Finally, it is recommended to continue to enroll more suppliers in the WEP programme.

PERFORMANCE CATEGORY OVERVIEW

Leader: This category is for member companies 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 member companies who are making a serious effort to implement the Code of Labour Practices—the vast majority of FWF member companies—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 member companies will receive a 'Good' rating.

Needs Improvement: Member companies 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. Member companies 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: Member companies 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. Member companies 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
1.1a Percentage of production volume from production locations where member company buys at least 10% of production capacity.	78%	Member companies with less than 10% of a production location's production capacity generally have limited influence on production location managers to make changes.	Supplier information provided by member company.	4	4	0

Comment: Because of Takko's relatively large order volumes, Takko is an important buyer (leverage above 10%) for suppliers that combined account for 78% of Takko's total purchasing volume. This figure stood at 72% over the preceding financial year, which is an indication that Takko is successful in consolidating its supplier base. This is a deliberate strategy and the CSR department is always challenging the need to bring on board new suppliers. On the other hand, however, it is adding new product categories, such as belts and stuffed toys, which leads to an increase in the number of suppliers.

Recommendation: FWF recommends Takko to continue its efforts to consolidate its supplier base where possible, and increase leverage at main suppliers to effectively request improvements of working conditions. It is advised to describe the process of consolidation in a sourcing strategy that is agreed upon with top management/sourcing staff.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.1b Percentage of production volume from production locations where member company buys less than 2% of its total FOB.	85.7%	FWF provides incentives to clothing brands to consolidate their supplier base, especially at the tail end, as much as possible, and rewards those members who have a small tail end. Shortening the tail end reduces social compliance risks and enhances the impact of efficient use of capital and remediation efforts.	Production location information as provided to FWF.	0	4	0

Comment: Takko has started a process of consolidating its supplier base. However, as Takko has a large number of suppliers (around 330), only a few (5 out of 330) account for more than 2% of Takko's total purchasing volume. In fact, 270 of Takko's suppliers account for less than 0.5% of Takko's total FOB volume.

Recommendation: FWF recommends Takko to consolidate its supply base by limiting the number of supplier in its 'tail end'. To achieve this, members should determine whether suppliers where they buy a relatively small percentage (less than 0.5%) of its FOB are of strategic relevance. Shortening the tail will reduce the social compliance risks the member is exposed to and will allow the member to improve working conditions in a more efficient and effective way.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.2 Percentage of production volume from production locations where a business relationship has existed for at least five years.	58%	Stable business relationships support most aspects of the Code of Labour Practices, and give production locations a reason to invest in improving working conditions.	Supplier information provided by member company.	3	4	0

Comment: With a process of consolidation of the supplier base, it is noted that the total FOB volume from suppliers with which Takko enjoys a long-terms business relation exceeding five years has increased from 51% to 58%.

Recommendation: FWF recommends Takko 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.

It is advised to describe policies regarding maintaining long term business relationship in a sourcing strategy that is agreed upon with top management/sourcing staff.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.3 All new production locations are required to sign and return the questionnaire with the Code of Labour Practices before first bulk orders are placed.	Yes	The CoLP is the foundation of all work between production locations and brands, and the first step in developing a commitment to improvements.	Signed CoLPs are on file.	2	2	0

Comment: During the performance check a sample check was done, for all randomly chosen suppliers Takko could show proof of the signed Code.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.4 Member company conducts human rights due diligence at all new production locations before placing orders.	Advanced	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.	4	4	0

Comment: Business relations with about half of Takko's suppliers are managed by agents/intermediaries. Agents are only allowed to place orders at a pool of pre-approved suppliers. New suppliers need to be approved first and need to have either a valid third-party audit or Takko audit. In Myanmar and Cambodia, Takko will always conduct an audit itself before working with new suppliers. In countries where Takko has its own audit teams (Bangladesh, India and China), it will always conduct a pre-audit before starting to source there.

In addition, existing third-party audit reports are always required. In 2016 Takko tightened these rules. New suppliers may only come on board if these can share a recent (not older than 1 year) and complete (so no summary reports) third-party audit reports before new suppliers are approved. Depending on the results of these audits, the CSR department will ask questions about the status of remediation work, and, when satisfied, approve new suppliers. This system also applies to subcontractors where CMT takes place.

Buyers cannot place orders before the CSR department gives the green light and on occasion the CSR department has refused new suppliers based on collected audit reports. Local Takko teams are subsequently following up on quality or social compliance directly and regularly with the factory, which means it has a good understanding of the production locations and can exercise leverage to work effectively on remediation.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.5 Production location compliance with Code of Labour Practices is evaluated in a systematic manner.	Yes, and leads to production decisions	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.	2	2	0

Comment: Takko has a scorecard system for all its suppliers. Suppliers are rated on various elements including on quality, deadlines, prices, and also working conditions. The on-line system is accessible for all relevant staff. In case of major non-compliances at a production location, the CSR department can (temporarily) block the supplier and all its production locations. No new orders can be placed during this period by the buyers. Policies are in place to reduce or put on hold orders for suppliers that are not performing well on social compliance. Hence, it is likely that suppliers which do perform well, receive relatively more orders.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.6 The member company's production planning systems support reasonable working hours.	General or ad-hoc system.	Member company production planning systems can have a significant impact on the levels of excessive overtime at production locations.	Documentation of robust planning systems.	2	4	0

Comment: Lead times vary from 3 to 9 months. Some 45% of the orders are place with a nine month leadtime, another 45% has a median leadtime of 6-9 months while the remaining 10 % has a leadtime between 3 to 6 months. The latter is mostly used for production in Turkey.

As part of Takko's leadtime project, Takko organizes meetings with agents/suppliers from a certain product group, the Denim days or Knitted days. Production planning is key focus during such days.

When a factory cannot meet the delivery deadline, Takko will assess the reasons for late delivery. To reduce OT, Takko is currently analyzing the leadtimes before approval of the pre-production sample (PPS) and between the PPS and start of production. Takko is also analyzing if quality control can be made earlier in order to avoid delays. If a delay is caused by the supplier, Takko may apply a penalty. However, when the order is not urgent (Takko implements a buffer), the penalty is waived if informed in advance.

Recommendation: Takko is advised to monitor the working hours of its suppliers more carefully and investigate ways to reduce excessive overtime. A good production planning system needs to be established based on the production capacity of the factory for regular working hours.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.7 Degree to which member company mitigates root causes of excessive overtime.	Intermediate efforts	Some production delays are outside of the control of member companies; however there are a number of steps that can be taken to address production delays without resorting to excessive overtime.	Evidence of how member responds to excessive overtime and strategies that help reduce the risk of excessive overtime, such as: root cause analysis, reports, correspondence with factories, etc.	3	6	0

Comment: Excessive overtime is a frequent finding at FWF audits in Bangladesh. According to Takko, this is generally due to late delivery of fabric, or overbooking of production capacity by the factory. However, even at suppliers where Takko has very high leverage, excessive overtime does occur. Even though Takko discusses this with suppliers following audits, it is generally regarded as a structural issue on which it has little influence. Takko also does not see excessive overtime as a reason to (temporarily) block a supplier.

Also, at suppliers in China that have a lot of migrant workers, excessive overtime is a common problem. Factory managers indicated that they must offer overtime because workers want to work as much as possible in order to send money back home.

Recommendation: Takko is recommended to regard structural excessive OT as a serious labour violation for which remediation is expected, especially at suppliers at which Takko has high leverage.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.8 Member company'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

Comment: Prices are generally set based on historical data and knowledge of market prices. For each style, Takko prepares a cost-sheet, which includes fabric consumption, trims, special treatment like washing/dyeing or printing, and CM costs based on an estimation of the complexity of the product. Every 6 months country studies are made and shared with updated prices of materials (cotton, trims) and also legal minimum wages. However, Takko does not calculate labour minutes per style, nor does it do open book costing with any of its suppliers. It therefore has no way of knowing exactly whether the price they pay suffices for payment of legal minimum wages. Takko also acknowledges that, as a discounter, there is a pressure to keep FOB prices, and margins, relatively low.

Requirement: Takko needs to develop a pricing policy where the Member company knows the labour cost of garments and which allows the payment of at least legal minimum wages in production countries.

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.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.9 Member company actively responds if suppliers fail to pay legal minimum wages.	Yes	If a supplier fails to pay minimum wage, FWF member companies 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

Comment: At 2 FWF audits at Takko's suppliers in Bangladesh, and Turkey, payment below legal minimum wage was found. Takko addressed this situation which, according to Takko, is now corrected.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.10 Evidence of late payments to suppliers by member company.	No	Late payments to suppliers can have a negative impact on production locations 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 production location and member company financial documents.	0	0	-1

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.11 Degree to which member company assesses root causes of wages lower than living wages with suppliers and takes steps towards the implementation of living wages.	Basic approach	Sustained progress towards living wages requires adjustments to member companies' policies.	Documentation of policy assessments and/or concrete progress towards living wages.	2	8	0

Comment: Takko systematically discusses wage ladders, which include living wage benchmarks, in audit reports with its suppliers. However, Takko is more focused on ensuring compliance with legal minimum wages, rather than actually working with its suppliers towards living wages.

Requirement: Takko has to take adequate steps to move towards living wages as estimated by local stakeholders.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
1.12 Percentage of production volume from factories owned by the member company (bonus indicator).	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 member company's score.	Supplier information provided by member company.	N/A	2	0

PURCHASING PRACTICES

Possible Points: 44

Earned Points: 25

2. MONITORING AND REMEDIATION

BASIC MEASUREMENTS	RESULT	COMMENTS
% of own production under standard monitoring (excluding low-risk countries)	92%	
% of production volume where monitoring requirements for low-risk countries are fulfilled	0%	FWF low risk policy should be implemented. 0 = policy is not implemented correctly. N/A = no production in low risk countries.
Meets monitoring requirements for tail-end production locations.	No	Implementation will be assessed next BPC
Total of own production under monitoring	92%	Minimums: 1 year: 40%; 2 years 60%; 3 years+: 80-100% 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

Comment: Next to that dedicated staff at headquarters, Takko has local auditors in Bangladesh, India and China to follow up on findings regarding social compliance.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.2 Quality of own auditing system meets FWF standards.	Yes	In case FWF teams cannot be used, the member companies' own auditing system must ensure sufficient quality in order for FWF to approve the auditing system.	Information on audit methodology.	0	0	-1

Comment: FWF regularly compares the quality of Takko audit reports with FWF audits at the same locations in the same period. It was found that generally the reports are of good quality, but often lack specific information regarding living wages (focus is on legal minimum wage) and information regarding excessive overtime is not always in line with the FWF audits.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.3 Audit Report and Corrective Action Plan (CAP) findings are shared with factory and worker representation where applicable. 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: Upon completion of an audit, the local team will send it directly to the supplier and factory. CAPs are signed by the factory with commitments as to the timelines. Takko compliance team will then follow-up every three months until the factory is audited again a year later.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.4 Degree of progress towards resolution of existing Corrective Action Plans and remediation of identified problems.	Intermediate	FWF considers efforts to resolve CAPs to be one of the most important things that member companies can do towards improving working conditions.	CAP-related documentation including status of findings, documentation of remediation and follow up actions taken by member. Reports of quality assessments. Evidence of understanding relevant issues.	6	8	-2

Comment: Following an audit, local compliance staff of Takko in India and Bangladesh will visit suppliers every three months to follow-up on corrective actions until the factory is audited again a year later. In China, follow-up visits are less frequent, but factories are also required to report on the status of remediation by email. In Myanmar, follow-up visits by Takko auditors from the region are planned every six months.

During the brand performance check, follow-up on corrective actions plans in FWF audit reports was verified randomly. For countries where Takko does not have a compliance team, follow-up on CAPs is managed by the CSR team at Takko headquarters, which was thus able to share information on CAP follow-up. In countries where Takko has local presence, the local compliance staff are responsible for follow-up, and Takko CSR department was not able to share much details regarding the status of CAP remediation.

Recommendation: Takko HQ should be kept informed by its local offices on the progress of suppliers in following up on CAPs. This would enable better sourcing decisions.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.5 Percentage of production volume from production locations that have been visited by the member company in the previous financial year.	81%	Formal audits should be augmented by annual visits by member company staff or local representatives. They reinforce to production location managers that member companies are serious about implementing the Code of Labour Practices.	Member companies should document all production location visits with at least the date and name of the visitor.	4	4	0

Comment: Suppliers accounting for 81% of Takko's production volume have been visited by Takko. A number of suppliers, mostly concentrated in China, are not visited. All other suppliers are frequently visited by local staff and occasionally by headquarter staff.

Recommendation: FWF recommends to document the outcome of visits and ensure checking whether the CoLP is posted is part of every visit. Reporting back to the whole team on the discussions and follow up of CAPs with the supplier will help towards setting up an integrated system for improving working conditions.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.6 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: As part of Takko's due diligence process when assessing new suppliers, third party audit reports (mostly BSCI) are always requested by Takko and questions are asked regarding the follow-up on corrective actions. In 2016 Takko adopted a new rule that it will only accept full audit reports. Without a full third party audit report, or an audit conducted by Takko itself, no orders may be placed at these new suppliers. In countries where Takko does not have its own audit teams, Takko generally requests Sumations or Tuv to conduct audits

Recommendation: Takko is recommended to assess the quality of third party audit reports and document this. The third-party quality assessment tool of FWF could be used in this regard.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.7 Compliance with FWF risk policies.	Average score depending on the number of applicable policies and results	Aside from regular monitoring and remediation requirements under FWF membership, countries, specific areas within countries or specific product groups may pose specific risks that require additional steps to address and remediate those risks. FWF requires member companies to be aware of those risks and implement policy requirements as prescribed by FWF.	Policy documents, inspection reports, evidence of cooperation with other customers sourcing at the same factories, reports of meetings with suppliers, reports of additional activities and/or attendance lists as mentioned in policy documents.	5	6	-2
Compliance with FWF enhanced monitoring programme Bangladesh	Advanced			6	6	-2
Compliance with FWF Myanmar policy	Intermediate			3	6	-2
Compliance with FWF guidance on abrasive blasting	Advanced			6	6	-2

Comment: Takko is a signatory of the Accord. As a result, all Takko suppliers have been inspected by the Accord. Training is provided by the Accord and support is made available to establish safety committees. Takko is the lead brand for a large number of factories for the Accord. Furthermore, most of Takko's production locations attended the FWF fire safety management workshops, as well as representatives of their intermediary business partners and local Takko compliance staff. In addition, 13 of their production locations in Bangladesh participate in the WEP trainings and have established anti harassment committees. During the last financial year, Takko enrolled more suppliers into the WEP.

Takko has a small number of suppliers in Myanmar, but has high leverage at these (80-100%). Orders are placed through an agent that is present in the country. Takko local staff in Myanmar focuses mostly on QC and do not have the capacity/skills to focus on social compliance. Audits have been conducted at these suppliers by a Takko auditor from other countries in the region. However, the lack of local audit staff limits its ability to make a thorough assessment of labour conditions including independent on-site and offsite worker interviews. Compared with the audits conducted by FWF, it appears that the Takko audits insufficiently identify non-compliances. The list of production locations of all FWF member companies in Myanmar is published on the FWF website.

All suppliers must sign Takko's policy that prohibits abrasive blasting, or sandblasting, at its denim suppliers. During regular visits, Takko staff verifies that the policy is adhered to.

Recommendation: Takko is recommended to follow the additional requirements, as contained in the enhanced monitoring programme for Myanmar. FWF member companies sourcing in Myanmar should take additional steps to:

- Avoid factories linked to the military, forced labour and/or 'land grab' practices
- Describe reasons for moving production into Myanmar
- Specify how conditions for each labour standard in Myanmar will be improved in practice
- Promote processes that enhance social dialogue in each production factory in the country, preferably select unionised factories
- Publish wage ladders per factory and cross-check with available benchmarks

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.8 Member company cooperates with other FWF member companies in resolving corrective actions at shared suppliers.	No CAPs active, no shared production locations or refusal of other company to cooperate	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.	N/A	2	-1

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.9 Percentage of production volume where monitoring requirements for low-risk countries are fulfilled.	50-100%	Low-risk countries are determined by the presence and proper functioning of institutions which can guarantee compliance with national and international standards and laws.	Documentation of visits, notification of suppliers of FWF membership; posting of worker information sheets, completed questionnaires.	1	2	0

Comment: During the last financial year, Takko visited all the suppliers in low risk countries. Questionnaires are always collected and posting of the worker information sheet is verified.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.10 Extra bonus indicator: in case FWF member company conducts full audits above the minimum required monitoring threshold.	90%+	FWF encourages all of its members to audit/monitor 100% of its production locations and rewards those members who conduct full audits above the minimum required monitoring threshold.	Production location information as provided to FWF and recent Audit Reports.	3	3	0

Comment: As part of its monitoring system ,Takko consistently audits its suppliers. During the preceding financial year, Takko and FWF audits were conducted at suppliers that combined account for 91.5% of Takko total purchasing volume.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.11 Questionnaire is sent and information is collected from external brands resold by the member company.	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	2	0

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.12 External brands resold by member companies that are members of another credible initiative (% of external sales volume).	No external brands resold	FWF believes members who resell products should be rewarded for choosing to sell external brands who also take their supply chain responsibilities seriously and are open about in which countries they produce goods.	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

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
2.13 Questionnaire is sent and information is collected from licensees.	No licensees	FWF believes it is important for member companies to know if the licensee is committed to the implementation of the same labour standards and has a monitoring system in place.	Questionnaires are on file. Contracts with licensees.	N/A	1	0

MONITORING AND REMEDIATION

Possible Points: 30

Earned Points: 26

Additional comments on Monitoring and Remediation:

FWF requires Takko to ensure it audits all production locations where Takko is responsible for over 10% of the location's production capacity, as well as all production locations in Bangladesh.

3. COMPLAINTS HANDLING

BASIC MEASUREMENTS	RESULT	COMMENTS
Number of worker complaints received since last check	9	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	4	
Number of worker complaints resolved since last check	5	

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

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
3.2 System is in place to check that the Worker Information Sheet is posted in factories.	No	The Worker Information Sheet is a key first step in alerting workers to their rights.	Photos by company staff, audit reports, checklists from production location visits, etc.	0	2	0

Comment: Takko must ensure that the Worker Information Sheet, including contact information of the local complaints handler of FWF, is posted in all factories in a location that is accessible to all workers. Takko should check by means of a visit whether the Worker Information Sheet is posted in the factories.

Recommendation: In countries where Takko has no local staff, and limited visits by HQ staff are conducted (e.g. Myanmar), some FWF audits found that the worker information sheets are not always posted.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
3.3 Percentage of FWF-audited production locations where at least half of workers are aware of the FWF worker helpline.	53%	The FWF complaints procedure is a crucial element of verification. If production location 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. Production location participation in the Workplace Education Programme also count towards this indicator.	Percentage of audited production locations where at least 50% of interviewed workers indicate awareness of the FWF complaints mechanism + percentage of production locations in WEP programme.	3	4	0

Comment: A total of 23 Takko suppliers have been audited by FWF during the preceding 3 years. Out of these, 8 were enrolled in the WEP. An additional 9 factories, not audited by FWF, also participated in the WEP. At factories that are enrolled in the WEP it is considered that workers are aware of the FWF helpline.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
3.4 All complaints received from production location 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. Member company involvement is often essential to resolving issues.	Documentation that member company has completed all required steps in the complaints handling process.	3	6	-2

Comment: Incoming worker complaints are always addressed in accordance with the complaints procedure. However, it happened occasionally that workers called the helpline and remediation was difficult as Takko had deactivated the factory and was not recognized anymore by the factory to be a partner that can intervene.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
3.5 Cooperation with other customers in addressing worker complaints at shared suppliers	No complaints or cooperation not possible / necessary	Because most production locations supply several customers with products, involvement of other customers by the FWF member company can be critical in resolving a complaint at a supplier.	Documentation of joint efforts, e.g. emails, sharing of complaint data, etc.	N/A	2	0

COMPLAINTS HANDLING

Possible Points: 13

Earned Points: 7

4. TRAINING AND CAPACITY BUILDING

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
4.1 All staff at member company are made aware of FWF membership.	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: Training for purchasing and sales staff is organized at Takko headquarters on FWF membership requirements, as well as the Accord. New staff also receive a training/briefing upon commencement of their duties.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
4.2 All staff in direct contact with suppliers are informed of FWF requirements.	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	-1

Comment: Purchasing staff is trained on FWF membership requirements and support remediation of corrective actions. This also applies to local staff in the production countries.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
4.3 All sourcing contractors/agents are informed about FWF's Code of Labour Practices.	Yes + actively support COLP	Agents have the potential to either support or disrupt CoLP implementation. It is the responsibility of member company to ensure agents actively support the implementation of the CoLP.	Correspondence with agents, trainings for agents, FWF audit findings.	2	2	0

Comment: Agents are actively informed about FWF membership requirements. Agents also participate regularly in Fire and Building Safety training organized by FWF in Bangladesh. Takko local staff also involve agents in audits and complaints remediation. Every time an agent comes to Takko headquarters, CSR is discussed.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
4.4 Production location participation in Workplace Education Programme (where WEP is offered; by production volume)	14%	Lack of knowledge and skills on best practices related to labour standards is a common issue in production locations. 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

Comment: During 2017 Takko has enrolled 7 more suppliers in Bangladesh in the WEP/AHC. In order to reach the volume of suppliers in Bangladesh, Takko has hired two local trainers, which are to be trained by FWF. Takko has also enrolled all of its suppliers in Myanmar in the WEP Basic.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
4.5 Production location participation in trainings (where WEP is not offered; by production volume)	0%	In areas where the Workplace Education Programme is not yet offered, member companies 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

Comment: No training was arranged by Takko during the 2016 financial year.

Recommendation: All factory workers and management should be informed about FWF, labour standards and grievance mechanisms. In order to further communication between employers and workers in the workplace FWF recommends Member companies 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 participation should be balanced and representative.

FWF has developed the Factory Guide, an innovative and comprehensive e-learning tool to increase awareness of factory managers on FWF requirements and labour standards. This tool specifically provides FWF member companies the opportunity to increase awareness of managers in countries where FWF does not offer the WEP modules. FWF recommends member companies to ensure suppliers actively use the Factory Guide.

TRAINING AND CAPACITY BUILDING

Possible Points: 15

Earned Points: 7

5. INFORMATION MANAGEMENT

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

Comment: Takko has a supplier database which can be accessed by all staff. An order for CMT production can only be placed in the IT system, when it is a production location that is checked by local teams and all signed documents (CoLP/questionnaire) are received. Besides the questionnaire, Takko also uses a factory datasheet where suppliers need to indicate which production steps they have in house, and, following this, which subcontractors are to be used (e.g. for washing, embroidery, printing etc.).

In several countries Takko has local teams that are visiting the factories regularly for quality control or compliance issues. Frequent presence in factories makes it possible to monitor closely where production takes place. In countries where Takko does not have local staff, e.g. Turkey, though third-party audits need to be available, it is more difficult to conduct regular visits and thus monitor these production locations as closely as in other countries.

Takko distinguishes between main suppliers, which includes all production location where CMT takes place (even when one subcontracts to the other), and subcontractors, which includes all locations where additional tasks such as washing, printing, etc, take place. It is positive to note that in Bangladesh also the subcontractors are audited and it is verified whether worker information sheets are posted. In China, the subcontractors are not audited (yet).

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
5.2 CSR and other relevant staff actively share information with each other about working conditions at production locations.	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: Takko has a comprehensive supplier database which can be accessed by all staff. Information about social compliance is included in this tool. Offices in Bangladesh, China and India have access to the same system for supplier evaluation.

INFORMATION MANAGEMENT

Possible Points: 7

Earned Points: 7

6. TRANSPARENCY

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
6.1 Degree of member company compliance with FWF Communications Policy.	Minimum communications requirements are met AND no significant problems found	FWF's communications policy exists to ensure transparency for consumers and stakeholders, and to ensure that member communications about FWF are accurate. Members will be held accountable for their own communications as well as the communications behaviour of 3rd-party retailers, resellers and customers.	FWF membership is communicated on member's website; other communications in line with FWF communications policy.	2	2	-3

Comment: Information on the website of Takko and their social report on their FWF membership is done in correct wording.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
6.2 Member company engages in advanced reporting activities	Published Performance Checks, Audits, and other efforts lead to increased transparency	Good reporting by members helps to ensure the transparency of FWF's work and shares best practices with the industry.	Member company publishes one or more of the following on their website: Brand Performance Check, Audit Reports, Supplier List.	1	2	0

Comment: Takko publishes its brand performance check report on its website.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
6.3 Social Report is submitted to FWF and is published on member company's website	Complete and accurate report published on member's website	The social report is an important tool for members to transparently share their efforts with stakeholders. Member companies should not make any claims in their social report that do not correspond with FWF's communication policy.	Social report that is in line with FWF's communication policy.	2	2	-1

Comment: The social report (called sourcing report) is published on the website of the company and available in different languages.

TRANSPARENCY

Possible Points: 6

Earned Points: 5

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: Takko is of the opinion that it needs Fair Wear Foundation. Membership as such is thus not questioned. Social compliance issues at Takko suppliers are regularly discussed with top management. Unfortunately, FWF was not able to meet a member of top management during Takko's brand performance check.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION	SCORE	MAX	MIN
7.2 Level of action/progress made on required changes from previous Brand Performance Check implemented by member company.	49%	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.	Member company should show documentation related to the specific requirements made in the previous Brand Performance Check.	2	4	-2

Comment: Two requirements were included in the last brand performance check:

1) FWF member companies sourcing in Myanmar should take additional steps to:

- Avoid factories linked to the military, forced labour and/or 'land grab' practices
- Describe reasons for moving production into Myanmar
- Specify how conditions for each labour standard in Myanmar will be improved in practice
- Promote processes that enhance social dialogue in each production factory in the country, preferably select unionised factories
- Publish wage ladders per factory and cross-check with available benchmarks.

2) Monitoring requirements need to be fulfilled for production in low-risk countries in order for it to be counted towards the monitoring threshold.

FWF considers that Takko has met the second requirement.

EVALUATION

Possible Points: 6

Earned Points: 4

RECOMMENDATIONS TO FWF

N/A

SCORING OVERVIEW

CATEGORY	EARNED	POSSIBLE
Purchasing Practices	25	44
Monitoring and Remediation	26	30
Complaints Handling	7	13
Training and Capacity Building	7	15
Information Management	7	7
Transparency	5	6
Evaluation	4	6
Totals:	81	121

BENCHMARKING SCORE (EARNED POINTS DIVIDED BY POSSIBLE POINTS)

67

PERFORMANCE BENCHMARKING CATEGORY

Good

BRAND PERFORMANCE CHECK DETAILS

Date of Brand Performance Check:

28-03-2017

Conducted by:

Koen Oosterom

Interviews with:

Diana Wagner

Patricia Zülch

Iryna Makoveienko

Katrin Meindl