

Complaint – Takko Holding GmbH – China

FWF is responsible for setting up a complaints procedure in production countries where FWF is active. The complaints procedure allows third parties to make complaints about the working conditions or the way the Code of Labour Practices is implemented in factories which supply FWF members.

The responsibility of FWF includes investigating the complaint, verifying whether the agreed corrective action plan is implemented and public reporting. This complaint report gives an overview of a complaint filed to FWF, the investigation and agreed corrective action plan as well as how the outcome is verified. For more information on the complaints procedure see the FWF website. FWF also publishes an overview of complaints received in its annual reports.

Updated: GFS China was incorrectly identified in the first version of this report.

1. Affiliate involved

Takko Holding GmbH (hereafter referred to as 'Takko')

2. Accused party

The accused party is a factory in China supplying the affiliate.

3. Date of receipt complaint

This issue was raised via a report in *Der Spiegel*, published 05 November 2012.

4. Filing party

n/a

5. The case

On Monday 05 November 2012 the German magazine *Der Spiegel* published an article containing allegations that Takko Holding GmbH had sourced products from a prison in China. Takko had given orders to produce jackets and tops to Global Fashion Support (GFS) China who gave the order to the Chinese agency Granville Hongkong Textiles Limited who in turn placed the order in a Chinese prison factory.

6. Admissibility

The issue is related to a supplier of Takko Holding GmbH, and to the following labour standards:

- Forced Labour Convention (No. 29), 1930

7. Investigation

Takko has acknowledged in the *Der Spiegel* article and to Fair Wear Foundation that their products were made in the factory in question and asserts that they have terminated the business relationship with GFS China as of September 2012, because of concerns about the reliability of the supplier.¹

Takko has stated they were unaware of the use of prison labour by GFS. While this problem was not the reason for terminating the business relationship with either the agents or the factory, the effect was that Takko terminated their business relationship with the prison factory.

The article also quoted part of an email between the agents suggesting that the agents placed the order in the factory for price reasons. Takko has stated that GFS signed the Takko Code of Labour Practices, which includes a provision prohibiting forced labour.

ILO convention 29, which prohibits forced labour, is a Core Labour Standard, referenced in the ILO Declaration on Fundamental Rights and Principles at Work. These Core Standards are binding on all countries, even if they have not ratified the convention. China is one of eight countries which has not ratified ILO convention 29, and Chinese law does allow for prison labour.

Consultations with local stakeholder groups confirm that inmates in Chinese prisons do not have a free choice in whether or not to work. Conditions in such prisons therefore fall under the ILO definition of forced labour.

When there are differences or conflicts between the ILO standards and laws and regulations in production countries, it is FWF policy that the higher standard prevails. FWF considers the ILO convention prohibiting forced labour to be the higher standard in this case. Although allowable under local law, Chinese prison labour is incompatible with the FWF Code of Labour Practices.

In terms of remediation, prison labour presents an unusual and difficult circumstance. Given this complexity, FWF has consulted with local stakeholder groups and the International Labour Organisation regarding appropriate remedial actions for this case. These consultations have reconfirmed that there are no mechanisms through which FWF can verify working conditions or through which member brands can realistically ensure that the rights of workers are being respected.

8. Findings and conclusions

Under normal circumstances, FWF does not condone termination of business relationships with factories when problems are discovered. Generally, member companies are required to work with production sites to remedy problems, and termination is only allowed as a final step when all other avenues have been exhausted.

Given the limited options for remediation related to prison labour, in this case FWF believes that terminating the business relationship with the factory would have been the only viable response.

¹ http://www.takko-fashion.com/de_de/presse/detail/artikel/106/statement-zur-aktuellen-berichterstattung-des-spiegel-5112012.html

9. Corrective action

Although Takko asserts that the business relationship with the factory is terminated, the conditions which lead to the inclusion of such a factory in Takko's supply chain need to be addressed.

Specific requirements are:

- Takko must ensure that no further orders are placed at the factory in question.
- Takko must inform and train all staff and agents involved in the selection of production sites, to improve their ability to avoid factories using prison labour.
- Takko should train responsible staff to ensure awareness of regions where prison labour is more common, and have a system in place to trigger extra scrutiny of proposals to source in these areas.
- Takko must ensure that sourcing practices allow for the effective implementation of the FWF Code of Labour Practices.
- Takko must strengthen efforts to include all production locations in the supplier register to be handed in to FWF. The supplier register must include the production facilities arranged through agents and ensure that they are informed about the FWF Code of Labour Practices. An updated supplier register has to be handed in before 31 December 2012.

10. Verification

At Takko's next Brand Performance Check, FWF will verify:

- that Takko has ended their business relationship with GFS China;
- that the supplier register is complete;
- that Takko has informed and trained all agents and staff as specified above;
- that Takko can demonstrate that agents inform production sites about the FWF Code of Labour Practices, and the need to work towards implementation of the code.

FWF will also conduct verification audits in 2013. FWF's audit methodology includes steps to verify if the code is posted in the selected factories, and to assess the sourcing policy and monitoring practices of members.