
GSUS Clothing industries

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Contents

1. Introduction of the research	3
1. GSUS Clothing Sindustries: clothing company of streetwear.....	4
1.1. Introduction	4
1.2. Strategy towards the market.....	5
1.3. Ownership structure GSUS	6
1.5. Financial facts and figures.....	7
1.6. Number of employees	7
2. GSUS: CSR Policy.....	7
2.1. GSUS and its CSR history	7
2.2. Transparency	8
2.3. Responsibilities within the company regarding CSR	8
2.4. The environmental policy of GSUS.....	8
3. Fair Wear Foundation (FWF) Membership	8
3.1. The Fair Wear Foundation: an introduction.....	8
3.2. Strengths of FWF.....	12
3.3. Weaknesses of FWF	13
3.4. Where GSUS is at.....	14
3.5. Conclusion: the value of FWF membership.....	14
4. GSUS and its suppliers	15
4.1. Outsourcing trends of GSUS	15
4.2. Production strategy	15
5. Conclusions by SOMO on the CSR policy of GSUS.....	16
Annex 1: Distributors Gsus.....	18

1. Introduction of the research

SOMO is a centre for research on multinational corporations. SOMO has been critically following and researching developments in the field of corporate social responsibility (CSR) and corporate accountability for many years. SOMO's expertise in this field lies primarily with labour standards, human rights and environmental issues in developing countries, and the (inter)national initiatives that are being developed to improve corporate behaviour in these areas. This is done both through research into the actual practices of multinational corporations in developing countries, and by examining such issues as implementation, monitoring and independent verification of CSR standards.

In 2003 and the first half of 2004, SOMO conducted a sector study on the garment industry.¹ The study described trends and 'critical issues' in the sector from the perspective of poverty eradication and sustainable development. The trends and critical issues were identified through discussions with organisations and trade unions working on garments and textiles. The study aimed to give insights and background information for groups working on improving the situation in the garment industry and to provide arguments for civil society organisations to feed the debate on trade & investment and corporate accountability. The study was conducted by SOMO in collaboration with Southern partners. SOMO focused on the corporate structures and relations throughout the sector and the production, supply and subcontracting chains. Another part of the sector study conducted by SOMO includes a wider study on Turkey's changing position in the worldwide garment industry, country case studies on Malawi and Indonesia, and five bulletins, each focusing on a particular issue that currently directs the garment industry.

As part of the SOMO study on the garment industry, SOMO conducted two company case studies on the Dutch companies **GSUS** and **WE International**. These companies were selected for a number of reasons:

WE International was selected because of its involvement in the SA 8000 system. SA 8000 is one of the initiatives that receives much attention in the CSR debate. Therefore, SOMO was interested to assess the level of implementation of CSR norms by one of the main proponents of SA 8000, namely **WE International**.

GSUS, a small Dutch garment brand, was selected because it is a young, fast-growing company. SOMO was interested to assess to what extent such a young newcomer in the field was working with CSR issues.

The case studies on these two companies have focused on their corporate structures, CSR policies and implementation systems in place. However, it was beyond the scope of this research to assess the actual labour conditions in the factories that produce for these companies.

¹ This study was co-financed by the Dutch Ministry of Foreign Affairs

1. GSUS Clothing Sindustries: clothing company of streetwear

GSUS² Clothing Sindustries B.V.
 Johan van Hasseltweg 27
 1021 KN Amsterdam

1.1. Introduction

GSUS is a Dutch clothing company of street wear. The founders of GSUS started with a shop selling clothing designed and produced by others in 1993. In 1996, they had their own collection produced for the first time. The original idea was to design clothing for the youth and related to pop music. Nowadays, pop artists wear GSUS clothing, like Anouk, Krane, Krezip, 100% Isis, the American band Fun Loving Criminals, the hardrockband Sepultura and Fear Factory.^{3 4} GSUS Sindustries has grown to a well-known brand available throughout all of Europe, Australia, South-Africa and the USA. The brand name GSUS ranks number 2, before AJAX on number 3, in the Dutch national brand competition, according to a poll conducted by the marketing magazine Adformatie in 2004. The poll measured the popularity of brand names from all industries⁵.

The European headquarters are located in Amsterdam-Noord where about 70 employees are working. The design team of GSUS presents 4 collections per year. At the end of 2003, 3 GSUS stores were operating under the name "Heavens Playground" in The Netherlands and 1 in Spain⁶. In total there are about 200 selling points in The Netherlands, like the 'Chill Out' department of departmentstore 'De Bijenkorf' and in streetwearstores throughout the country⁷.

² Different ways of spelling GSUS are used:

- on the website of GSUS: gsus in small letters and sometimes in capitals GSUS.
- in the Chamber of Commerce documents: G-SUS and G-Sus.

In this profile SOMO decided to use GSUS in capitals

³ NRC Handelsblad, 09-11-2002, Schaamhaar bijknippen, zo laag zijn onze broeken, by Hester Carvalho

⁴ GSUS is sponsoring the following names: TV International: Viva Fernsehen, MTV Germany. TV National: Arne Toonen, Angela Schijf, Chris Zegers, Ruud de Wild, Tatum Dagelet, VJ Kris, Froukje de Both, Sylvana, Georgina Verbaan, Daniel Louis Rivas. Restaurants: restaurant Leipzig, restaurant Praag Haarlem, restaurant Blender, Joia, restaurant Noa. Dj's: Dj 100% Isis, Dj Bas "the funky bastard", Dj Laidback Luke, Dj Rene Vidal, Rank 1, dj Annemiek, dj Shane. Singers/bands: Ellen ten Damme, Tasha's World, Miss Bunty, Vj Ed, Anouk, Krezip, Arid. Performance: ISH, <http://www.gsus.com/>

⁵ Source: Dagblad Flevoland, April 17 2004, Etalage

⁶ Under franchise. Further expansion of the number of stores is expected in 2004. Source: Interview SOMO with Mr. Peter Steenstra, the Managing Director of GSUS, December 2003

⁷ Source: Quote, April 30 2004, Poldermode

Trademarks used by GSUS are: GSUS and Jeans trademark GOD (GSUS Original Denim). The collections consists of all types kinds of clothings: coats, bikini's, skirts, jeans, T-shirts, sweaters etc.

1.2. Strategy towards the market

On Friday the thirteenth of August 1993 the slogan 'GSUS is coming' introduced a new shop with a totally new concept for that time: streetwear labels were combined with active sports brands, clubwear combined with all kind of 'boardsport' labels. From the beginning on, they had the plan for starting a collection using the shop as a lab, a test-store for their own small GSUS label. At the time that the oversized skate-look was still very common, they bought a large quantity of tight vintage t-shirts from the seventies, and printed these with all kind of vintage funky seventies glittertransfers. Other retailers became interested soon and started selling them: a collection was born⁸.

GSUS: what's in a name? A lot, the name GSUS was a big help in the success of the brand. The letter 'G' became hyped up in the early nineties. Gangsta rap was rulin', G Love came out with his first record. Gsus symbolizes global individuality. An always positive view on fashion soaked with humor. There's a lot affection with the skate- snowboardscene, where a slick stock of words is common. Some examples of typical gsus expressions: 'Welcome to heavens playground', 'gsus ramplords' and 'gsubelle'. More than a religious interpretation, the company wants to give it more a rebellious, controversial touch.

Gsus invested in people and collections, and because of that little money was left for advertising. But the name gsus proved to be strong enough to create a little media hype: the label was worn by dj's, artists, skaters, Amsterdam-clubbers and other fast-forward-thinkers. More and more the Gsus-style became clear; an individual style, which always combines a sports attitude with a more fashion feeling. The designers like to play with fashion cliches. Gsus is putting classical fashion standards in a new perspective. In one of there first collections (1993) they used businessuite-like garments for their oversized skatepants, also their fakefur bikini's were wellknown. Nowadays however, the collection is less provocating but still has that edge to it; the collection grew up, but remained young.⁹

Competitors closest to GSUS are G-Star, Miss Sixty and Diesel¹⁰. The trademark GSUS belongs to the highest price segment. The prices are high, but the designs are rather complicated to produce, resulting in high margins also for the suppliers. Production volumes per design are small.

Until now GSUS has started many lawsuits against clothing companies who 'shamelessly' copied its designs, and won almost all.

⁸ Source: copied from the GSUS website, www.g-sus.com

⁹ This part is copied from the GSUS website: <http://www.g-sus.com/>

¹⁰ Interview SOMO with the Managing Director of GSUS, December 2003

Availability

GSUS clothing is available in Western Europe, Israel, the US, New Zealand, Australia, Canada, South Africa and Japan. Via its subsidiaries and trade agents (distributors), GSUS clothing is sold in approximately 25 countries in total (See ANNEX 1 Distributors GSUS).



(picture copied from the GSUS website, www.g-sus.com)

1.3. Ownership structure GSUS

The legal status of GSUS is that of a private company (BV).

Descriptions of companies in ownership:

GSUS Clothing Sindustries B.V., Amsterdam. Financial Holding.

GSUS Heavens Playground B.V., Arnhem. Retail sale of ladies' and men's outerwear.

GSUS Heavens Playground B.V., Amsterdam. Wholesale of textile products.

GSUS Real Estate BV, Amsterdam, Financial Holding.

GSUS Wholesale and Design BV, Amsterdam.

At the moment of the SOMO interview with the managing director¹¹, GSUS had four subsidiaries abroad, located in the US (4 employees), Canada (6 employees), Belgium (1 employee) and in Spain (3 employees).

1.4. The management of GSUS

GSUS is a small and relatively new company without a strong internal hierarchy. The lines in the decision making process are short. The company is managed by the managing director.

¹¹ December 2003

1.5. Financial facts and figures

Turnover: the management does not talk about turnover figures, but an estimation made in 2000 was about 50 million guilders (24,5 million euro)¹². 80% of the turnover is derived from sales abroad¹³.

The annual results for 2002, as deposited with the Dutch Chamber of Commerce, do not show turnover results but state an operating profit of nearly 4.3 million euros for that year¹⁴.

1.6. Number of employees

In total, GSUS has about 120 to 150 employees worldwide. The number of employees working at the European headquarters in Amsterdam has recently reached the number of 70, which has resulted in the decision of setting up a works council.

Locations of employees in the rest of the world are: Canada, Israel, Finland, USA, United Kingdom, Germany, Italy, Switzerland, Japan, Denmark, Sweden, Mexico, Austria, Spain & Portugal, Belgium & Luxembourg¹⁵.

2. GSUS: CSR Policy

2.1. GSUS and its CSR history

At the time of the interview, GSUS did not have any official CSR policies in place, but was convinced that good corporate practice is part of their natural way of doing business. That's also the reason GSUS will not use CSR for marketing purposes: it is a legitimate expectation from the people that the company is socially and environmental committed. But being committed not automatically leads to complying with CSR standards. The reality of the labour conditions at their suppliers was largely unknown by the management of GSUS.

The manufacturing agreement, as used by GSUS, would be suitable as instrument for including issues like labour rights, environmental standards and other CSR issues. But in the manufacturing agreement, as received by SOMO, no CSR standards were found. There are no references to ILO labour standards, international UN treaties or environmental guidelines.

The purchasers of GSUS, visiting each factory at least twice a year, do not have special interest in the labour conditions and have no specific instructions, but the managing

¹² Carp, 21-03-2000, Sleazy glamour, by Alies Pegtel

¹³ Source: Quote, 30 April 2004, Poldermodel

¹⁴ Source: Chamber of Commerce, annual accounts of 2002 as deposited on 19 March 2004

¹⁵ Brochure Fall, winter collection 2003

director assumed that, if they would see bad labour conditions, they would report it. This has however never happened.

A short while before the interview with SOMO, the managing director of GSUS was having a meeting with the Fair Wear Foundation, and he mentioned in the meeting with SOMO, that GSUS was seriously thinking about joining the Fair Wear Foundation initiative. A few months later, it turned out that GSUS indeed joined this initiative, which meant a progressive step forwards from having no written CSR policy to having one of the best policies in the sector.

2.2. Transparency

From our experience during the meeting GSUS seemed open to discuss issues and are willing to cooperate with stakeholders. Unlike other companies, which SOMO has dealt with in the past, GSUS was willing to provide all the requested information (also the names and locations of their suppliers (!)), and engaged in an open discussion on corporate social responsibility with SOMO.

2.3. Responsibilities within the company regarding CSR

The managing director of GSUS is responsible for the CSR policy within the company. He also functions as the spokesman for the company regarding CSR related topics.

2.4. The environmental policy of GSUS.

The new head office of GSUS in Amsterdam is built with sustainable construction materials and a sustainable design. The new head office is making use of a “waterbron” which pumps water out of the earth and uses it to control the temperature of the building in both the winter and the summer. It is a transparent warehouse with natural light and a completely isolated building. These investments are made for a better environment. GSUS pays adequate attention to reducing waste from internal operations.

3. Fair Wear Foundation (FWF) Membership

On the 24th of March 2004, the Dutch Fair Wear Foundation announced its participant companies to the public for the first time. GSUS turned out to be one of the 11 companies which currently endorse the FWF Code of Labour Practices. This chapter will treat the implications of FWF membership for GSUS, and will close with an evaluation of the commitment to corporate social responsibility which will result from FWF membership.

3.1. The Fair Wear Foundation: an introduction

Goal and strategy

The Fair Wear Foundation was established in 1999 with the aim to achieve better labour conditions in the worldwide garment industry through the creation and promotion of a code of conduct for Dutch garment companies. Companies which support the Fair Wear

Code of Labour Practices commit themselves to implementing the labour standards included in the code, and agree that the FWF verifies compliance with the code¹⁶.

Multi-Stakeholder Initiative

FWF is a Multi-Stakeholder Initiative (MSI) because it includes actors from different parts of society, each with their own interests. Both the FWF Board and the advisory Expert Committee contain members representing garment retailers, producers, trade unions and Non-Governmental Organisations. The participating organisations on the FWF Board and the Expert Committee are Mitex (business associations for garment retailers), Modint (business associations for garment suppliers), FNV Bondgenoten and FNV Mondiaal (labour unions), the Clean Clothes Campaign and the Zuid Noord Federatie (NGOs). The Expert Committee also includes representatives from Max Havelaar and Novib (NGOs)¹⁷.

The Fair Wear Code of Labour Practices

The Fair Wear Code of Labour Practices is based on the model codes of conduct of the Clean Clothes Campaign and the ICFTU (International Confederation of Free Trade Unions). The principles laid down in the FWF Code cover five issue areas: labour standards, supply chain responsibility, process approach, involvement of local stakeholders, and independent verification. Apart from the area of labour standards, all other subjects covered by the FWF Code concern the *operational* aspects of the FWF initiative¹⁸.

Labour standards

The labour standards which are included in the Fair Wear Code of Labour Practices reflect important ILO Conventions, and the labour-related articles of the United Nations Universal Declaration of Human Rights (articles 23-25). More specifically, the labour standards contained in the FWF Code are the following eight internationally recognized core labour rights¹⁹:

1. employment is freely chosen;
2. no discrimination in employment;
3. no exploitation of child labour;
4. freedom of association and the right to collective bargaining;
5. payment of a 'living wage';
6. no excessive working hours;
7. safe and healthy working conditions;

¹⁶ Source: Fair Wear Foundation website, www.fairwear.nl, 20/7/2004

¹⁷ Source: Fair Wear Foundation Annual Report 2003, <http://www.fairwear.nl/Annual%20report%202003.pdf>, 20/7/2004

¹⁸ Source: MVO-initiatieven in de koffie-, kleding-, en bloemensector. Frans-Paul van der Putten, Gemma Crijns & Joris Oldenzijl, Nyenrode/SOMO (in opdracht van HIVOS), 2004. <http://www.nyenrode.nl/download/eibe/MVO-Initiatieven2004.pdf>, 20/7/2004

¹⁹ Source: The Fair Wear Foundation: Principles and Policies. <http://www.fairwear.nl/Policy%20document.pdf>, 20/7/2004

8. a legally binding employment relationship.

Supply chain responsibility

A company which signs the FWF Code of Labour Practices agrees to perform inspections at all its supplier factories within three years after becoming a member, and to formulate corrective action plans in case these inspections point out that the circumstances of garment production are not in line with the labour standards laid down in the FWF Code. This auditing process must then be repeated each year. The member company takes on responsibility for the labour conditions in the entire supply chain of the products it sells in the Dutch market. This means that not only direct suppliers, but their sub-contractors too are checked for compliance with the FWF Code.

The audits (inspections) of suppliers which are performed by FWF member companies themselves are referred to as 'internal monitoring'. FWF defines 'supply chain' as the network of suppliers and suppliers of suppliers (sub-contracted suppliers, licensees, etc.) of member companies, which are involved in garment production. This means cotton producing farmers, producers of fabric and similar suppliers of materials are not included in the FWF supply chain concept²⁰.

Process approach

FWF encourages a phased approach to improving working conditions in the garment sector. It realises that terminating supplier relations if suppliers do not meet the FWF criteria is not an answer to the problem of poor labour conditions. Instead, member companies commit themselves to improving labour conditions in their supply chain step by step, through the creation and implementation of corrective action plans²¹.

In the end, FWF member companies are judged on the process of change they have triggered within their supply chain, not on absolute levels of compliance with the ILO labour standards. Members pledge to do 'everything possible' to remedy breaches of the ILO standards²². The ways they try to achieve improvements, and the pace of change, are not left entirely to the members' own discretion, but are closely tied to proposals and procedures suggested by the Fair Wear Foundation²³.

Involvement of local stakeholders

The Fair Wear Foundation wants to involve local stakeholders in all levels of the process of improving labour conditions. To this end, FWF has established partner networks in various

²⁰ Source: The Fair Wear Foundation: Principles and Policies.
<http://www.fairwear.nl/Policy%20document.pdf>, 20/7/2004

²¹ Source: The Fair Wear Foundation: Principles and Policies.
<http://www.fairwear.nl/Policy%20document.pdf>, 20/7/2004

²² Source: Multi-Stakeholder Initiatives: Fair Wear Foundation. SOMO website www.somo.nl, 20/7/2004

²³ Source: Interview with Petra Wijnholds of the FWF, 21/7/2004

countries where suppliers of FWF operate. These local partner networks include trade unions, employers' organisations, local authorities, and NGOs. The Fair Wear Foundation itself consults these networks when formulating its own policies. Furthermore, at the level of monitoring compliance with the FWF Code, local partner organisations are asked by FWF member companies to carry out inspections at production sites. This is not optional: members should always involve local partners in at least part of their inspections. The corrective action plans, too, must be executed in cooperation with local organisations.²⁴.

Finally, partner organisations are also involved in the FWF complaint mechanism. In this procedure, employees or local organisations may report breaches of the FWF Code to the Fair Wear Foundation. Whereas employees may report directly to the FWF, local organisations can file complaints through the local partner network²⁵. So far, FWF has set up partner networks in India, Indonesia, Pakistan, Poland, Romania, China, and Turkey. In 2004 this list will be expanded with Bangladesh, Macedonia and Tunisia²⁶.

Independent verification

An important aspect of FWF membership is that companies allow the Fair Wear Foundation to conduct independent or external verification of compliance with the FWF Code of Labour Practices. FWF conducts independent verification at two levels:

1. verification of labour conditions
2. verification of Management System Requirements

1. The external verification of labour conditions by FWF has to make sure that the internal monitoring by companies themselves is done correctly, and that corrective action plans are actually being executed as agreed. For the external verification of labour conditions, FWF Board members randomly and unexpectedly visit production sites. Every three years, audits take place at 10% of each member company's supplier facilities. The FWF complaints procedure is also used to verify labour conditions. If employees file a complaint at the Fair Wear Foundation, it will most likely conduct an external audit at their production facility to follow up on the complaint²⁷.

2. When a company supports the FWF Code of Labour Practices, it takes one year of preparations before the participant actually becomes a member of the FWF. During this application period, one of the things the applicant company must do is to adapt its management system so that it is fit to meet the FWF's expectations. More specifically, the

²⁴ Source: Fair Wear Foundation website: partner network. www.fairwear.nl, 20/7/2004

²⁵ Source: The Fair Wear Foundation: Principles and Policies.
<http://www.fairwear.nl/Policy%20document.pdf>, 20/7/2004

²⁶ Source: MVO-initiatieven in de koffie-, kleding-, en bloemensector. Frans-Paul van der Putten, Gemma Crijns & Joris Oldenzijl, Nyenrode/SOMO (in opdracht van HIVOS), 2004.
<http://www.nyenrode.nl/download/eibe/MVO-Initiatieven2004.pdf>, 20/7/2004

²⁷ Source: The Fair Wear Foundation: Principles and Policies.
<http://www.fairwear.nl/Policy%20document.pdf>, 20/7/2004

FWF Management System Requirements have to make sure a company is able to comply with the FWF Code of Labour Practices. Compliance with the Management System Requirements is checked by auditors which are contracted by the Fair Wear Foundation.

Both the labour standards and the Management System Requirements, and their implementation and auditing procedures, are described in detail in accompanying manuals, which are distributed by the Fair Wear Foundation to the (potential) member companies²⁸.

3.2. Strengths of FWF

The multi-stakeholder character ensures good cooperation between labour unions, retailers, producers, and NGOs

The FWF initiative is based on an ongoing dialogue between different stakeholders, which has led to the formulation of common goals that are supported by all parties. This harmonization of interests will contribute to the success of the FWF initiative. The consensus-based, voluntary character of membership of the FWF does mean that, at least in the beginning, only a small number of industry leaders will sign up for the FWF initiative. This quantitative aspect is more than offset by a qualitative one: the standards which companies promise to adhere to are set very high.

The Fair Wear Foundation Code of Labour Practices is considered the most strict corporate social responsibility standard to which Dutch garment companies can sign up
No other codes of conduct in the Dutch garment industry, which are open to membership from various Dutch-based garment producers²⁹, work towards such strict labour standards.

The involvement of local organisations in the improvement of labour conditions is an important contribution to local capacity building

The Fair Wear Foundation really sets itself apart from other initiatives in the garment industry by putting so much emphasis on involving local organisations and training local partner network members. The capacity which FWF builds in supplier countries will really help transform their garment producing industries in a lasting manner.

Assessments lead to improvements

The FWF approach is dynamic, not static: its focus is on the process of change. Much attention is given to the follow-up on internal and external audits and assessments. The corrective action plans offer realistic proposals for change, and their implementation is carefully monitored. Unlike some other codes of conduct, the FWF Code guarantees improvements.

²⁸ Source: The Fair Wear Foundation: Principles and Policies.
<http://www.fairwear.nl/Policy%20document.pdf>, 20/7/2004

²⁹ This means we exclude the clothing brand Kuyichi

3.3. Weaknesses of FWF

The Fair Wear Foundation is a relatively new initiative which is still in a start-up phase, meaning that some aspects of the FWF working method are not fully operational yet

Although founded in 1999, the FWF has only become operational after the conclusion of several pilot projects in mid-2003. Some of the participants of FWF have only signed up recently, and the full list of participants was published for the first time in March 2004. This means that most participants are not members yet, but are still in the application phase. They themselves and their suppliers are in the process of being audited by the Fair Wear Foundation. For now it is therefore not possible to evaluate the outcome of this process, let alone the quality of the follow up and actual implementation of change of member companies. This means the value of FWF membership itself can not yet be assessed with certainty.

The FWF networks are still under construction and many local organisations still have to be trained on working with the FWF Code and the implementation and verification procedures. The FWF complaint mechanism has only recently taken on a definite shape, with fixed procedures, and is not yet operational in many supplier countries. The SOMO research paper “Considering complaint mechanisms” published in 2003, describes the weaknesses of this mechanism. The weaknesses pointed out by the report concerned the criteria for acceptance of a complaint, specification of the follow-up process, and the reporting policy³⁰. In 2004, the FWF published its revised and improved complaint mechanism³¹.

Overall, the FWF, just as its participant companies, may not have the full capacity needed to implement all of its policies and principles just yet. It may take another year or two before the whole program is fully operational and running the way the FWF “Principles and Policies” document envisions, especially in the areas of partner networks and complaint procedures.

There is no guarantee that member companies are not involved in unfair labour practices

The only guarantee FWF can give about its members is that they try their best to improve labour standards in the garment sector, not that their suppliers actually meet all the labour standards included in the FWF Code of Labour Practices. This weakness may as well be a strength of the Fair Wear Foundation’s working method, which emphasises the process of change rather than the absolute level of compliance at a given point in time. FWF members are forced to make a long-term commitment to their suppliers, instead of abandoning them if they do not immediately respect all labour rights contained in the FWF Code.

³⁰ Source: Considering complaint mechanisms: an important tool for code monitoring and verification. Nina Ascoly and Ineke Zeldenrust, SOMO, 2003

³¹ <http://www.fairwear.nl/tmp/Klachten%20procedure%20feb%202004.pdf>

But even when the process method is considered a strength of the FWF initiative, it has its consequences for the final evaluation of FWF membership: if anything, it implies that membership becomes more valuable the longer it lasts. After some years of FWF membership, it can be assumed that a company does not only embrace the *theory* of corporate social responsibility, but has come a long way in putting it into *practice*, too.

3.4. Where GSUS is at

GSUS signed up for the FWF initiative in February 2004, after only one meeting with FWF staff in October 2003³². GSUS is a good example of a company that expresses immediate enthusiasm for the FWF initiative, and does not need any pressure to join. Apparently, the goals of the Fair Wear Foundation are a good match with GSUS' corporate culture.

At the moment, GSUS is still in the application period, which means the company is given the time to make the necessary adjustments to its management system, and preliminary research on GSUS suppliers and possibilities for improvements is being done. FWF will start auditing GSUS this autumn (2004) and some of its suppliers in accordance with the standard application procedures. The next step after the audits will probably be the proposals for improvements in the management system and in labour conditions. These proposals will be presented to GSUS and to the respective management teams of their suppliers. Together, the parties will agree on the changes to be made and the way to implement them³³.

GSUS will become a full member of the FWF after the application period ends in January 2005, or before that time if FWF thinks the company does not need the full application period to prepare for membership.

GSUS does not plan on using its Fair Wear Membership for marketing purposes. Corporate social responsibility is part of the way they do business: the commitment they make through the FWF merely reaffirms their own beliefs about what labour conditions should be like. For GSUS, the FWF Code is a useful tool for checking their own compliance with the standards they find acceptable³⁴.

3.5. Conclusion: the value of FWF membership

GSUS' FWF applicant status and the subsequent FWF membership status are considered a very positive commitment to corporate social responsibility standards in the area of labour rights. The long-term commitment GSUS makes to improving labour conditions up to a very high standard under the auspices of the Fair Wear Foundation, really makes the trendy label a good choice for consumers who take CSR aspects into consideration at the time of buying their clothes. The system of internal monitoring and external verification which is

³² Source: Interview with Petra Wijnholds of the FWF, 21/7/2004

³³ Source: Interview with Petra Wijnholds of the FWF, 21/7/2004

³⁴ Sources: Interviews with Petra Wijnholds of the FWF, 21/7/2004 and with the managing director of GSUS, December 2003

used by the fair Wear Foundation is considered an adequate guarantee that local labour conditions will actually improve in the years to come.

4. GSUS and its suppliers

4.1. Outsourcing trends of GSUS

Independent of the requirements from the Fair Wear Foundation, the normal GSUS procedure is to visit each production location at least two times a year, not only before the actual production, but also during the production period. In the starting phase of the production, a lot of consultation between GSUS and the supplier is needed because many of the designs of GSUS are innovative and require new production techniques. Creative solutions for new production techniques always come from both sides, that is from the supplier's side, as well as from GSUS. GSUS is supporter of short production lines, or actually of working in production units. Suchs units consists of about 10 people who are responsible for the final product. The managing director expects that in the future, large manufacturers will also switch to such production processes because the margins on small production volumes are much higher³⁵.

It is not important for GSUS to be able to react on strong runaway trends and therefore it is not necessary to have its production locations near the market. It is not part of the strategy of GSUS to follow trends; GSUS follows its own line and creates trends instead. When GSUS has developed a new product, the suppliers first have to make 1 or 2 prototypes and after that a sample. Only after that, agreements are made and this procedure takes considerable time. At the end of 2003, GSUS was already working at the collection of spring 2005³⁶.

4.2. Production strategy

GSUS uses 2 selection criteria for its suppliers:

1. Can the supplier produce exactly what GSUS wants? So; quality first, the price is less important. GSUS delivers the design, and the supplier has to make a product out of it.
2. How stable and trustworthy is the supplier?

GSUS is supporter of what they call 'partnerships' with suppliers and retailers, aiming at long term relationships with the companies producing their clothing and the companies selling their clothing³⁷.

One of the ways to endure partnerships is to be as transparent as possible. The managing director wants to achieve the highest level of transparency by introducing a system of making agreements about the profit margins of the supplier on forehand. The idea behind

³⁵ Source: Interview SOMO with Managing Director of GSUS, December 2003

³⁶ Source: Interview SOMO with Managing Director of GSUS, December 2003

³⁷ Source: Interview SOMO with Managing Director of GSUS, December 2003

this, is that if the profit margin is fixed, all the other price components can be discussed openly, such as the prices of the fabrics used, transportation costs, labour costs, quota's etc. This way, there is complete transparency about the price components. This idea of fixed profit margins is still in a preliminary phase, and no concrete steps to implement it have been taken yet³⁸.

GSUS itself strives for transparency about their suppliers. All the garment retailers investigated by SOMO so far, were not prepared to disclose any of their suppliers names and locations. But GSUS was willing to give SOMO a list of their suppliers and they even have the intention to place all their suppliers on internet so all stakeholders and other companies can have a look and see what they are doing.

Another interesting note is that GSUS is developing and implementing a bar code system making the entire production process traceable and transparent. GSUS spends considerable time to introduce the barcode system to others. This idea is more concrete than the fixed profit system: GSUS has already organised workshops to promote the new bar code within the garment industry³⁹.

4.31 Production locations.

70 percent of total production volume of GSUS is produced in Turkey in three different factories. These factories are big companies quoted on the stock exchange. Other production countries are Romania, Pakistan, India (2 locations in Mumbai, 1 in Tirupur and 1 in Chennai). Fabrics are dyed in Amhedabad, Bangladesh, Thailand and China. GSUS is making use of 35 suppliers in total⁴⁰.

The managing director indicates that because of the innovative techniques required by the designs of GSUS and the requested large volumes, GSUS ends up automatically at large, modern and sophisticated factories for its production. He assumed that labour conditions are good at such modern factories. Besides that, other well known companies like Nike and Adidas, having Codes of Conduct and monitoring systems, are working with the same suppliers. This is another reason for the managing director to assume that no serious breaches of labour rights take place in its supplier factories.

5. Conclusions by SOMO on the CSR policy of GSUS

GSUS was selected by SOMO for a case study to asses to what extent a young fast-growing clothing company such as GSUS is working with CSR issues. At the time of the interview, GSUS did not have any official CSR policies in place, but was convinced that good corporate practice should be part of their natural way of doing business. This view is

³⁸ Source: Interview SOMO with Managing Director of GSUS, December 2003

³⁹ Source: Interview SOMO with Managing Director of GSUS, December 2003

⁴⁰ Source: Interview SOMO with Managing Director of GSUS, December 2003

positive in the sense that it attaches importance to CSR, but it led GSUS to believe that it was indeed complying with CSR standards even without having CSR policies in place, whereas the reality of the labour conditions at their suppliers was largely unknown. The GSUS approach, at the time of the interview with SOMO, could be therefore considered as a bit naïve. But in a short period of time, not needing a very long time for reflection, the decision was taken to join the Fair Wear initiative. It turns out to be an advantage to be a private company, because decisions can be taken quickly. This is because the decision making process contains fewer stakeholders than in public companies and therefore less time is needed for decision making.

As a newcomer in the field and a fast growing company it is difficult to focus on several issues at the same time, but GSUS showed that if an issue is being tackled, it is possible to make progressive steps in a short period of time.

GSUS has stood out positively from other clothing companies because its transparency about internal policies and operations, and the willingness to cooperate with NGOs on the subject of CSR, are also appreciated.

GSUS provides a good case to show the value added by joining a CSR initiative such as the Fair Wear Foundation. By joining, chances are much greater that GSUS' good intentions will actually be put in practice. As one of 11 participants of the Fair Wear Foundation, GSUS has the potential to become an industry leader in the area of labour practices policy and implementation. As said in section 3.5, the long-term commitment GSUS makes to improving labour conditions really makes the trendy label a good choice for consumers who take CSR aspects into consideration. The system of internal monitoring and external verification which is used by the Fair Wear Foundation is considered a good guarantee that local labour conditions will actually improve in the years to come.

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