

BRAND PERFORMANCE CHECK

Acne Studios

PUBLICATION DATE: FEBRUARY 2014

this report covers the evaluation period 01-09-2012 to 31-08-2013

ABOUT THE BRAND PERFORMANCE CHECK

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

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's affiliate members. The Checks examine how affiliate management systems support FWF's Code of Labour Practices.

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

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

Improvement of supply chains is a step-by-step process, through which affiliates must address many different issues. FWF affiliates vary greatly in management structures, and have different strengths. The Performance Benchmarking system is designed to reflect these differences, and the many different ways that a company can support better working conditions.

During the Brand Performance Check, FWF staff speak to various employees at the affiliate who have important roles to play in the management of supply chains. FWF verifies the actions of affiliates based on several sources including documentation of activities, financial records, the affiliate's supplier register and staff interviews. Following the Brand Performance Check, FWF summarizes findings in this report, which is made public via www.fairwear.org. The Brand Performance Check Guide provides more information about the indicators and is available for download.

BRAND PERFORMANCE CHECK DETAILS

Date of Brand Performance Check:

17-10-2013

Conducted by:

Annabel Meurs

Interviews with:

Emma Häggström (CSR Manager), David Hamilton (Production Manager)

Scoring:

Affiliate Benchmarking scores and Performance Benchmarking categories will be published starting in 2014. During 2013, FWF will be testing out the new system and evaluating the appropriate threshold levels for Benchmarking categories.

Audit Summary:

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

AFFILIATE INFORMATION	
Headquarters:	Stockholm
Member since:	01-08-2008
Product types:	Fashion
Production in countries where FWF is active:	China, Italy, Turkey, Lithuania, Portugal, Romania
Production in other countries:	Albania, France, Morocco, Republic of Korea, United Kingdom, Latvia
BASIC REQUIREMENTS	
Workplan for this evaluation period was submitted?	Yes
Projected supplier register for this evaluation was submitted?	Yes
Actual supplier register for this evaluation period has been submitted?	Yes
Membership fee has been paid?	Yes
All suppliers have been notified of FWF membership?	Yes
SCORING OVERVIEW	
% of own production under monitoring	94%

Summary:

Acne Studios has implemented most of FWF's management system requirements. In the past financial year the company has been in the process of developing a new sourcing policy that includes a more detailed evaluation of suppliers as a crucial basis for sourcing decisions. Acne Studios generally aims at having long term relations with suppliers. 36% of the company's purchasing volume is sourced from factories in countries that are classified as low-risk countries. Acne Studios increased the amount of audits that were carried out with local FWF audit teams. With that, the company has been able to bring its monitoring threshold to 94% which meets FWF requirements. FWF finds that the company strengthened its approach to monitor and improve working conditions. Steps can still be taken in the area of organizing trainings for workers and management and to make progress towards payment of a living wage.

1. PURCHASING PRACTICES

BASIC MEASUREMENTS	RESULT	COMMENTS
Percentage of production in low-risk countries	35%	Countries with relatively low risk of labour violations as defined by FWF.

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION
1.1 Percentage of production volume from suppliers where affiliate buys at least 10% of production capacity	70%	Affiliates with less than 10% of a factories' production capacity generally have limited influence on factory managers to make changes.	Supplier register provided by affiliate.

Recommendation: FWF recommends Acne Studios to further consolidate its supplier base where possible, and increase leverage at main suppliers to effectively request improvements of working conditions.

Comment: In the past financial year that runs through August 2013, Acne Studios bought 70% of its supplier volume from factories where the company has substantial leverage (at least 10% of the factory production capacity).

1.2 Percentage of production volume from suppliers where a business relationship has existed for at least five upage58%	Stable business relationships support most aspects of the Code of Labour Practices, and give factories a reason to invest in improving working conditions	Supplier register provided by affiliate.
existed for at least five years	working conditions.	

Comment: Acne Studios staff, including product developers, prefer to have long term relationships with suppliers. The company maintains a business relation for more than 5 years with suppliers that account for 58% of its total purchasing volume.

1.3 Labour conditions are considered when selecting new suppliers	Yes	Including labour conditions considerations in selecting suppliers supports responsible business practices.	Documentation of decisionmaking
			process; e.g. checklists for buyers, emails, etc.



Comment: Acne Studios has a written policy that describes the process of selecting new suppliers which includes criteria related to working conditions. Parallel to product sampling, the supplier is informed about FWF membership and given a questionnaire, the FWF Code of Labour Practices, the Restricted Chemical List and a business contract.

	The CoLP is the foundation of all work between factories and brands, and the first step in developing a commitment to improvements.	Signed CoLPs are on file.
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1.5 Company conducts audits at all new suppliers before placing orders	No	An important due diligence step. Before placing production orders, affiliates should conduct an audit at all new suppliers to assess risks for CoLP violations.	Audit documentation; must meet FWF audit quality standards.
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Recommendation: It is recommended to conduct an audit at new suppliers before placing production orders to assess risks for CoLP violations. Options other than audits are also possible for conducting a proper risk assessment. Making use of FWF wage benchmarks to research the level of wages can be part of the risk assessment. FWF suggests affiliates to select suppliers that are willing to cooperate on improvements.

Comment: Acne Studios prefers to do an audit with the local FWF team before production is started, but this is not standard practice.

1.6 Affiliate sources from an FWF factory member	No	When possible, FWF encourages affiliates to source from FWF factory members. The small number of factories in the programme means sourcing from FWF factory members cannot be a requirement.	Supplier register provided by affiliate.
1.7 Percentage of production volume from factories owned by the affiliate	0%	Owning a supplier provides clear accountability for and direct influence over working conditions. It reduces the risk of unexpected CoLP violations.	Supplier register provided by affiliate.

Practices is evaluated in a systemic manner imp	, and rovement ewarded	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.
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Comment: Acne Studios is in process of developing a grading system for suppliers - the Acne Studios scoring card. The scoring card is meant to give better updates to product developers on which suppliers are performing well and should be rewarded. Performance on labour rights is one of the important parameters in the rating. The company strives to have the possibility to decrease the order numbers if a supplier scores low on CSR performance.

1.9 The affiliate's production planning systems support reasonable working hours	Strong integrated systems in place	Affiliate production planning systems can have a significant impact on the levels of excessive overtime at factories.	Documentation of robust planning systems.
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Comment: Acne Studios works with diverse lead times, differing per product category. Given that the company has a high diversity in its collections, opportunities to structurally avoid excessive overtime are limited. However, buying staff of Acne Studios have a general willingness to accommodate supplier requests by early order placements for yarns and planning production as much as possible in low seasons for suppliers, which will have a bigger positive effect in the future as a greater share of its collection will consist of continuity products.

Moreover, the company has started to share fabric for many different styles and has made progress into starting the stitching part earlier. Acne Studios attempts to spread out orders more evenly: Never out of stock and carry over items that are produced over the year, are placed in low periods as much as possible. Before selling period, the company discusses orders with all suppliers, fabric and manufacturing. Based on their input orders are placed accordingly. The company can trace the product back to order date, which is how they now know where to book early, taking the production of supplier into account.

Acne Studio's own stores are getting bigger, which means they have a better idea of order quantities and capacity bookings at an earlier stage.

1.10 Percentage of production volume from suppliers where excessive overtime is found by FWF43%	Excessive overtime is one of the most common labour rights violations in high-risk production countries. It is often caused by poor production planning by brands.	Audits conducted by FWF auditors; Complaints filed via the FWF worker helpline.
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Recommendation: The affiliate is recommended to dialogue with supplier on the causes of excessive overtime and discuss possible actions to reduce excessive overtime.

Comment: 43 % of the FWF audited volume indicated excessive overtime took place.

1.11 Degree to which affiliate analyses and mitigates root causes of excessive overtime	Reactive approach	Affiliate production planning systems can have a significant impact on the levels of excessive overtime at factories.	Examples of root cause analyses and resulting changes in production planning/policy.
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Recommendation: Acne Studios could discuss with factory management on the causes of excessive overtime and provide support to manage overtime. The affiliate should identify strategies to minimise the impact of its sourcing practice on excessive OT at the factories.

1.12 Affiliate's pricing policy allows for payment of at least the legal minimum wages in production countries	Policy at a country level	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.

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

Comment: Prices are set on the basis of past experience and sales forecasts. The company does not make use of open costing. Product developers fix long term prices as much as possible and are expected to avoid negotiations per production season. The company is not on pushing the prices down; it can in some cases accept motivated price increase by supplier. The cost of labour is not known per style. Staff is aware of minimum wage calculations in the different production countries.

1.13 Affiliate actively responds if suppliers fail to pay legal minimum wages	No failures by suppliers to pay minimum wage were reported during the past year	If a supplier fails to pay minimum wage, FWF affiliates are expected to hold management of the supplier accountable for respecting local labour law.	Complaint reports, CAPs, additional emails, FWF audit reports or other documents that show minimum wage issue is reported/resolved.
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1.14 Evidence of late payments to suppliers by No affiliate)	Late payments to suppliers can have a negative impact on factories and their ability to pay workers on time. Most garment workers have minimal savings, and even a brief delay in payments can cause serious problems.	Based on a complaint or audit report; review of factory and affiliate financial documents.
5	actory level oproach	Sustained progress towards living wages requires adjustments to affiliates' policies.	Wage ladders, correspondance with supplier, other relevant documentation.

Comment: As Acne Studios aim to fix long term prices as much as possible and in order to avoid negotiations per production season, they indicate a long term commitment to the supplier. The CSR manager actively discusses the wage ladder with suppliers as part of the CAP follow up process.

Additional comments on Purchasing Practices:

Acne Studios has included more focus on obtaining better insight and control of subcontractors in its written sourcing policy.



2. MONITORING AND REMEDIATION

BASIC MEASUREMENTS	RESULT	COMMENTS
Total % of own production under monitoring	96%	Measured as a percentage of turnover.
Minimum monitoring threshold based on years of membership (Threshold is 40% first year, 60% second year of membership and 90% thereafter)	Does meet threshold	

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION
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 Degree of progress towards resolution of	Moderate	FWF considers efforts to resolve CAPs to be one of the most important	Documentation of

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existing Corrective Action Plans	efforts have	things that affiliates can do towards improving working conditions.	remediation and
	been made to		followup actions
	address most		taken by affiliate.
	CAPs		

Recommendation: Besides doing audits once in 3 years, the affiliate could consider:

- Hire local consultant to assist factory in developing an action plan and to assist factory management in investigating root causes.

- Organise supplier seminars
- Provide factory training.
- Share knowledge/material.

Comment: Acne Studios has a strong monitoring system to update remediation process after an audit took place. The CSR manager is in frequent contact with suppliers to receive updates on the improvements. Acne Studios often organizes monitoring visits with a member of FWFs audit team for a follow up visit.



2.3 Percentage of production volume from suppliers that have been visited by the affiliate in the past financial year	75%	Formal audits should be augmented by annual visits by affiliate staff or local representatives. They reinforce to factory managers that affiliates are serious about implementing the Code of Labour Practices.	Affiliates should document all factory visits with at least the date and name of the visitor.
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Comment: The CSR manager joins every audit that takes place. Product developers visit the supplier annually.

2.4 Existing audit reports are collected yes and quality assessed Existing reports form a basis for understan strengths of a supplier, and reduces duplic	•
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Comment: Acne Studios collects existing reports as part of their process of selecting new suppliers.

2.5 Audit Report and Corrective Action Plan (CAP) findings are shared with factory. Improvement timelines are established in a timely manner	Yes	FWF audit reports should be shared and discussed with suppliers within two months of audit receipt. Timely sharing of information and agreement on corrective actions is essential for improvement. A reasonable time frame should be specified for resolving findings.	Corrective Action Plans, emails; findings of followup audits; brand representative present during audit exit meeting, etc.
2.6 A structured approach is used to address issues that occur at multiple suppliers	No	Issues that occur in multiple factories often need to be addressed in a systemic manner, especially when the root causes are located in brand management choices or from regionally specific issues (e.g. fire safety, gender discrimination and harassment).	Documentation of a systemic approach: root cause analyses, productivity

assessments,

guidance documents, internal system changes, etc. **Recommendation**: FWF suggests that the affiliate analyses whether findings from a factory audit could occur at other suppliers as well. This will lead to a preventive approach where issues are addressed in a systematic manner. Acne Studios can focus on own brand practices as well as regional or country specific issues (such as fire safety or gender discrimination).

2.7 Affiliate cooperates with other customers in resolving corrective actions at shared	Active	Cooperation between customers increases leverage and chances of successful outcomes. Cooperation also reduces the changes of a	Shared CAPs, evidence of
suppliers	cooperation	factory having to conduct multiple Corrective Action Plans about the same issue with multiple customers.	cooperation with other customers.

Comment: Acne Studios cooperated on audit results and follow up with a number of other FWF affiliates.

of worker information sheets, completed guestionnaires.		2.8 Monitoring requirements are fulfilled for production in low-risk countries	Yes	Low risk countries are determined by the presence and proper functioning of institutions which can guarantee compliance with basic standards.	•
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Comment: Suppliers in low risk countries are visited and checked whether the CoLP is posted. Acne Studios was involved in the seminar organized by FWF in Italy to around the Italy risk assessment study.

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

3	No external brands resold	FWF believes affiliates who resell products should be rewarded for choosing to stock external brands who also take their supply chain responsibilities seriously.	Supplier register; Documentation of sales volumes of products made by FWF or FLA members.
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3. COMPLAINTS HANDLING

BASIC MEASUREMENTS	RESULT	COMMENTS
Number of worker complaints received since last check	1	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		
Number of worker complaints resolved since last check	1	

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION
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.

3.2 System exists to check that the Worker Information Sheet is posted in factories	Yes The Worker Information Sheet is a key first step in alerting workers to their rights.	Photos by company staff, audit reports, checklists from
		factory visits, etc.

Comment: Staff of Acne Studios checks during factory visits if the translated version of the CoLP is posted, including the contact details of FWFs local complaints handler. Suppliers are requested to sent pictures as evidence. However, this does not ensure that the CoLP is structurally posted in all factories where production takes place. (see next question).

3.3 Percentage of audited factories where at least half of workers are aware of the FWF worker helpline	The FWF complaints procedure is a crucial element of verification. If factory-based complaint systems do not exist or do not work, the FWF worker helpline allows workers to ask questions about their rights and file complaints.	Percentage of audited factories where at least 50% of interviewed workers indicate awareness of the FWF complaints mechanism.
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Requirement: The affiliate should check if the worker information sheet is posted. The information sheet is the first step towards awareness raising about the existence and functioning of FWFs worker hotline. It is important that the affiliate informs the factory managers about the existence of the hotline. The factory managers are the key actors in informing workers about their rights.

Recommendation: The affiliate can stimulate its suppliers to participate in WEP trainings, to raise awareness about the existence and the functioning of FWF's worker hotline.

Comment: The audits carried out by FWF showed workers were not aware of the Code of Labour Practices. At two audits, it was found the Code of Labour Practices was not posted.

workers are addressed in accordance with the FWF Complaints Procedure a supplier.	Documentation that affiliate has completed all required steps in the complaints handling process.
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Comment: Acne Studios has played an active role in addressing the complaint at the supplier in Turkey. The company looked at the piece rate system and pushed the supplier to adjust its payment system.

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

Comment: In the process of resolving a complaint at a supplier in Turkey, Acne studios cooperated with another client of the factory.



4. TRAINING AND CAPACITY BUILDING

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

Comment: The CSR manager trains staff at the company on FWF membership requirements. The retail manual explains the FWF CoLP implementation.

4.2 Advanced training is provided to staff in direct contact with suppliers on CoLP requirements	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.
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Comment: Acne Studios has made many investments in training and participating in FWF events, such as the training in Italy.

4.3 Agents are informed of CoLP requirements and act to support their implementation	Yes, and agents actively support implementation of the CoLP	Agents have the potential to either support or disrupt CoLP implementation. It is the responsibility of affiliate to ensure agents actively support the implementation of the CoLP.	Correspondence with agents, trainings for agents, FWF audit findings.
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Comment: Agents actively support the implementation of the CoLP; agents often joint the audits, track developments, assist in explaining process, take pictures and send the FWF questionnaires. The agent in Italy joined the FWF training seminar.

4.4 Factory participation in Workplace Education Programme (where WEP is offered; by production volume)	0%	Lack of knowledge on best practices related to labour standards is a common issue in factories. Good quality training of workers and managers is a key step towards sustainable improvements.	Documentation of relevant trainings; participation in Workplace Education Programme.
4.5 Factory participation in trainings (where WEP is not offered; by production volume)	All production is in areas where the WEP is offered	In areas where the Workplace Education Programme is not yet offered, affiliates may arrange trainings on their own. Trainings must meet FWF quality standards to receive credit for this indicator.	Curricula, other documentation of training content, participation and outcomes.

Comment: A large part of Acne Studios' purchasing volume is produced in China and Turkey. The remaining part of production mostly takes place in low risk countries.



5. INFORMATION MANAGEMENT

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION
5.1 Supplier register for the previous financial year is verified as being complete and accurate	Yes	Any improvements to supply chains require affiliates to first know all of their suppliers.	Completed supplier register; Financial records of previous financial year.

Comment:

5.2 A system exists to allow purchasing. CSR and other relevant staff to share information with each other about working conditions at suppliers	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.
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Comment: Acne Studios is strengthening its system to integrate audit results in sourcing decisions. Relevant staff is informed about working conditions at suppliers and have access to CAPs and status updates. CAPs are kept up to date in a systematic manner by the CSR manager.

6. TRANSPARENCY

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

Requirement: Acne Studios is required to place the FWF logo on its website (can be black/white version as well).

Comment: The company informs consumers and other external parties about its approach to improve working conditions through its corporate website. This is done in correct wording and with references to FWFs website for further information.

6.2 Affiliate engages in advanced reporting activities	No	Good reporting by members helps to ensure the transparency of FWF's work and shares best practices with the industry.	Affiliate publishes one or more of the following on their website: Brand Performance Check, Audit Reports, Supplier List.
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Recommendation: FWF recommends the affiliate to publish one or more of the following reports on its website: Brand performance check, Audit Reports, suppliers register. Good reporting by members helps to ensure the transparency of the affiliate and FWF's work.



6.3 Social Report is submitted to FWF and is published on affiliate's website	Yes	The Social Report is an important tool for brands to transparently share their efforts with stakeholders.	Report adheres to FWF guidelines for Social Report content.
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7. EVALUATION

PERFORMANCE INDICATORS	RESULT	RELEVANCE OF INDICATOR	DOCUMENTATION
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.

Comment: FWF membership is annually evaluated and on a regular basis throughout the year. Top management is involved in the evaluation including approving the social report.

7.2 Percentage of required changes from previous Brand Performance Check implemented by affiliate	80%	In each Brand Performance Check report, FWF may include requirements for changes to management practices. Adherence to these requirements is an important part of FWF membership.	Affiliate should show documentation related to the specific requirements made in the previous Brand Performance Check.
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Comment: Acne Studios has implemented most of the requirements from last performance check: the workplan has been submitted, it has made steps in including all supplier information, there is no more evidence of payment below minimum wage, and it has met the monitoring threshold of 90%.



RECOMMENDATIONS TO FWF

Acne Studios suggests FWF to set up a complaints mechanism in Italy. The company would also appreciate if high risk and low risk difference are integrated in the scoring of a performance check. The gaps between different steps in the performance benchmarking a rather big. FWF is recommended to evaluate if there need to be steps in between.