



Brand Performance Check

LK International AG

August 2013

This report covers the evaluation period
April 2012 to December 2012

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 FWF Performance Benchmarking Guide provides more information about the indicators and is available for download.

Brand Performance Check Details

Date of Brand Performance Check	28-Mar-13	
Conducted by:	Stefanie Santila Karl	
Interviews With:	Tanja Catenazzi Sven Serena Timo Regier Sebastian Hahn	Production Coordinator & CSR Executive Vice President Production & Quality, Partner Executive Vice President Sales Head of Communication

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.

LK International AG (hereafter Kjus)

2013 Brand Performance Check

Affiliate Information	
Headquarters:	Huenenberg Switzerland
Member Since:	April 2012
Product Types:	Sportswear, Outdoor, Bags & Accessories
Production countries:	FWF Active Countries: China, Lithuania, Portugal, Romania, Thailand, Vietnam Other countries: Belarus, Indonesia, Slovakia, Switzerland
Basic Requirements	
Workplan for this evaluation period was submitted?	Yes Must be submitted before start of evaluation period
Projected supplier register for this evaluation was submitted?	Yes Must be submitted before start of evaluation period
Actual supplier register for this evaluation period has been submitted?	Yes Must be submitted after the end of the evaluation period.
Membership fee has been paid?	Yes
All suppliers have been notified of FWF membership?	Yes
Scoring Overview	
% of suppliers under monitoring	67%
Summary	Kjus meets the FWF threshold for first year membership and goes beyond. Kjus has put good effort into their first year of FWF membership. Starting with informing the suppliers and staff about FWF requirements and also setting up an internal system to monitor social standards well. Kjus has a good production planning system which needs to be used now to ensure reasonable hours of work and that wages can raise towards what is considered living wages. Kjus has participated in a FWF study together with other outdoor companies to assess the impact of hypothetical increases towards living wage benchmarks.

Purchasing Practices

Basic Measures		Comments
% of production in low-risk countries	5%	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.	14%	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.
1.2 Percentage of production volume from suppliers where a business relationship has existed for at least five years.	70%	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.
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: Production sites are visited before production starts. This moment is used to also check what certificates or social reports exist already at the factory.		
1.4 All new suppliers are required to sign and return the Code of Labour Practices before first orders are placed.	Yes	The CoLP is the foundation of all work between factories and brands, and the first step in developing a commitment to improvements.	Signed CoLPs are on file.
	Comment: Since FWF membership, new suppliers have to sign the CoLP before start of production.		
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.
	Recommendation: To ensure high social standards from the beginning of the production, it is recommended to audit new suppliers before the start of production.		

1.6 Affiliate sources from an FWF factory member.	Yes	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.
1.8 Supplier compliance with Code of Labour Practices is evaluated in a systemic manner.	No	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.
Recommendation: It is recommended to evaluate suppliers towards their compliance with the CoLP. Good compliance with the CoLP			
1.9 The affiliate's production planning systems support reasonable working hours.	General system.	Affiliate production planning systems can have a significant impact on the levels of excessive overtime at factories.	Documentation of robust planning systems.
Comment: KJUS has a robust system in place with forecast and development of styles together with the supplier. Orders are communicated to the factory a year before the start of production. This is to give the opportunity for production in low season as			
1.10 Percentage of production volume from suppliers where excessive overtime is found by FWF.	100%	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.
Comment: At all production sites audited, FWF auditors found excessive overtime. Requirement: The affiliate has to take adequate steps to ensure reasonable working hours at the production sites.			
1.11 Degree to which affiliate analyses and mitigates root causes of excessive overtime, if found.	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.
Recommendation: It is recommended to assess root causes of overtime at the production sites and to integrate results into the production planning system. Further Kjus is recommended to work together with other customers at the production site for reasonable working hours at the production sites.			

1.12 Affiliate's pricing policy allows for payment of at least the legal minimum wages in production countries.	Affiliate can demonstrate a pricing policy based on country level data. Minimum wage levels are known by affiliate in all production countries.	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.
<p>Comment: 2 years before products are sold, Kjus starts developing the product together with the supplier who will get the final order. Prices are discussed having in mind the country of production but there is no detailed analysis of why a product costs how much. Kjus also participated in a living wage study by FWF to find out.</p> <p>Recommendation: Recommendation is to have a detailed analysis of wages when calculating the product prices.</p>			
1.13 Affiliate actively responds if suppliers fail to pay legal minimum wages.	Not Applicable	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.
<p>Comment: All FWF audit reports show that workers are paid at least the legal minimum wages.</p>			
1.14 Evidence of late payments to suppliers by affiliate.	No	Late payments to suppliers can have a negative impact on factories and their ability to pay workers on time. Most garment workers have minimal savings, and even a brief delay in payments can cause serious problems.	Based on a complaint or audit report; review of factory and affiliate financial documents.
<p>Comment: None of the audit reports showed late payments to suppliers bu affiliate.</p>			
1.15 Degree to which affiliate assesses root causes of wages lower than living wages with suppliers.	Factory-level Approach	Sustained progress towards living wages requires adjustments to affiliates' policies.	Wage ladders, correspondance with supplier, other relevant documentation.
<p>Comment: Kjus participates in FWF's project with various outdoor companies to assess the impact of hypothetical increases towards living wage benchmarks. Through this engagement, the company shows that it is committed to working towards implementation of living wages.</p> <p>Requirement: Sustained progress towards living wages requires adjustments to affiliates' policies.</p>			

Purchasing Practices Comments:

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Monitoring & Remediation

Basic Measures		Comments
% of own production under monitoring	67%	Measured as a percentage of turnover.
Minimum monitoring threshold based on years of membership:	40% (meets threshold)	1 year: 40%; 2 years 60%; 3 years+: 90%

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 existing Corrective Action Plans.	Moderate efforts have been made to address most CAPs.	FWF considers efforts to resolve CAPs to be one of the most important things that affiliates can do towards improving working conditions.	Documentation of remediation and followup actions taken by affiliate
2.3 Percentage of production volume from suppliers that have been visited by the affiliate in the past financial year.	99%	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.
2.4 Existing audit reports are collected.	Yes	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.
<p>Comment: Audit reports are collected but audit quality not assessed. Recommendation: It is recommended to Kjus to assess the audit quality of existing reports and to use findings of such reports for discussion and implementation efforts together with the factory management.</p>			

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.	Documentation of a systemic approach: root cause analyses, productivity assessments, guidance documents, internal system changes, etc.
Recommendation: Recommendation is to use audit report findings which occur at several suppliers for a structured approach.			
2.7 Affiliate cooperates with other customers in resolving corrective actions at shared suppliers.	Active Cooperation	Cooperation between customers increases leverage and chances of successful outcomes. Cooperation also reduces the changes of a factory having to conduct multiple Corrective Action Plans about the same issue with multiple customers.	Shared CAPs, evidence of cooperation with other customers.
2.8 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.	Documentation of visits, notification of suppliers of FWF membership; posting of worker information sheets, completed questionnaires.
2.9 External brands resold by the affiliate who have completed and returned the external brand questionnaire. (% of external sales volume)	Not Applicable	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.
2.10 External brands resold by affiliates that are members of another credible initiative. (% of external sales volume)	Not Applicable	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.

Monitoring Comments:

Complaints Handling

Basic Measures		Comments
Number of worker complaints received since last check.	0	At this point, FWF considers a high number of complaints as a positive indicator, as it shows that workers are aware of and making use of the complaints system.
Number of worker complaints in process of being resolved.	0	
Number of worker complaints resolved since last check.	0	

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.
3.3 Percentage of audited factories where at least half of workers are aware of the FWF worker helpline.	33%	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.
<p>Comment: Out of the 3 audit reports, one factory did not hang up the CoLP, one factory did hang up the CoLP but workers interviewed were not informed and one factory hung up the CoLP and informed the workers well.</p> <p>Recommendations: It is recommended to join the workplace education programme to ensure worker's knowledge on workers' rights.</p>			

<p>3.4 All complaints received from factory workers are addressed in accordance with the FWF Complaints Procedure.</p>	<p>Not Applicable</p>	<p>Involvement by the FWF affiliate is crucial in resolving a complaint at a supplier.</p>	<p>Documentation that affiliate has completed all required steps in the complaints handling process.</p>
<p>3.5 Cooperation with other customers in addressing worker complaints at shared suppliers</p>	<p>Not Applicable</p>	<p>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.</p>	<p>Documentation of joint efforts, e.g. emails, sharing of complaint data, etc.</p>

Complaints Comments

Training & 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: First step after joining FWF was to inform all employees on FWF membership. Kjus works together with a trainer who is briefed and conducts costum made trainings to all employees.		
4.2 Advanced training is provided to staff in direct contact with suppliers on CoLP 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.
	Comment: FWF has trained all employees in contact with suppliers, Chinese Kjus staff and marketing staff in September for a whole day on FWF specifics. Staff in direct contact with suppliers are briefed regularly on current happenings with regard to each supplier on social standards.		
4.3 Agents are informed of CoLP requirements and act to support their implementation.	Yes, and agents actively support implementation of 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.
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.
	Comment: None of the suppliers joined the workplace education programme in the reporting period. Recommendation: To inform suppliers about the workplace education programme and to access possibilities of trainings at the production site for management, line supervisors and workers on the CoLP and grievance mechanisms.		
4.5 Factory participation in trainings (where WEP is not offered; by production volume).	0%	In areas where the Workplace Education Programme is not yet offered, affiliates may arrange trainings on their own. Trainings must meet FWF quality standards to receive credit for this indicator.	Curricula, other documentation of training content, participation and outcomes.

Recommendation: It is recommended to start finding ways on how to ensure that workers are trained on labour rights in production countries where WEP is not offered.
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Training & Capacity Building Comments

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.
5.2 A system exists to allow purchasing, CSR and other relevant staff to share information with each other about working conditions at suppliers.	Yes	CSR, purchasing and other staff who interact with suppliers need to be able to share information in order to establish a coherent and effective strategy for improvements.	Internal information system; status CAPs, reports of meetings of purchasing/CSR; systematic way of storing information.
Comment: All staff with contact to suppliers have access to the information on social standards at the production sites.			

Information Management Comments:

Audit reports confirmed that production is taking place at the production sites which are mentioned in the supplier register.

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.
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.
Recommendation: FWF recommends Kjus to publish the Brand Performance Check, Audit Reports, Supplier List on their website.			
6.3 Social Report is submitted to FWF and is published on affiliate's website	Published on affiliates' website	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.

Transparency Comments:

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: Top management is involved in FWF communication and requirements. A meeting with top management takes place every three weeks. Audit reports, Brand Performance Check etc. are part and discussed during such meetings.		
7.2 Percentage of required changes from previous Brand Performance Check implemented by affiliate.	Not Applicable	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.

Evaluation Comments:

Comments to FWF

This area provides an opportunity for affiliates to provide feedback to FWF.

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1. KJUS wishes FWF to be more active in recruiting factories to become FWF factory members.
 2. The FWF Marketing & Communication Toolkit is very welcomed and clear as it gives the opportunity to not always have to re-check with FWF.
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Appendix 1: FWF Audit Finding Summary by Country

This chart summarizes the number of time each finding was reported during an FWF Audit in each country.

	China	Vietnam
Total Number of Audits:	2	1
Standard Findings		
Sourcing practices		
According to the supplier the prices of the affiliate do not support the payment of living wages.	2	1
Monitoring system		
The FWF affiliate has not checked if the Code of Labour Practices is posted at a location easily accessible to workers.	1	
No areas for improvement	1	1
Management system of factory to improve working conditions		
The factory has not posted the Code of Labour Practices in local language with the contact details of the local complaints handler at an easily accessible location for workers.	2	
The factory has coached workers and / or falsified documents in preparation of the audit	1	
No areas for improvement		1
Other	1: Subcontractors not informed about the CoLP. 1: Falsified Records.	1: Subcontractors not informed about the CoLP.
Communication and consultation		
There is no effective internal grievance mechanism in place.	1	1

Employment is freely chosen		
No areas for improvement	2	1
No discrimination in employment		
Discrimination against a number of workers is found. Discrimination addressed: <i>Please specify:</i>		1: According to information from recruitment announcement, it is noted that age of hiring is from 18 - 37.
No areas for improvement	2	
No exploitation of child labour		
The factory employed juvenile workers without following local regulations to protect these workers.		1
No areas for improvement	2	
Freedom of association and the right to collective bargaining		
There is no independent workers' organisation or union, which is run by workers without management's involvement.	2	
Other		1: Workers are dismissed without verification meeting.
Payment of a living wage		
Workers do not understand how wages are calculated	1	
The factory is not transparent regarding wage records.	1	
The factory delays paying workers' wages.		1
The factory does not pay leaves and benefits to workers according to legal requirements.		1
The factory does not pay overtime premium to workers according to legal requirements.		1
No areas for improvement	1	

Reasonable hours of work		
Excessive overtime was found: <i>please specify:</i>	<p>1: Audit team finds that the monthly overtime hours are 70 hours or more, which exceeds the legal requirements of 36 hours/month.</p> <p>1: As per information collected from off-site interviews, the monthly overtime hours are estimated to be around 80 to 100 hours per month. As per information collected from off-site interviews, workers work in excess of 60 hours, up to 68 hours per week (10 hours Monday through Saturday and additional 8 hours on Sunday). As per information collected from off-site interviews, in peak season, such as June and the first half of July 2012, workers are on duty for 2 or 3 Sundays in a month. In this case, they are not guaranteed at least one day off in a week.</p>	<p>1: According to information from the payroll and time records, it is noted that workers worked from 1 - 4 sundays from July - September 2012 without compensating day off. Overtime hours were over legal limits: from review time records from July to September 2012, it is noted that 1) over 4hrs/day (up to 14.5hrs); 2) over 16 hrs/week, 3/ over 300 hrs/year (up to 419hrs, Finishing Department) from Jan - Sept 2012. Pregnant and breastfeeding workers work overtime. Those in Embroidery section are even working in night shift.</p>
Safe and healthy working conditions		
Critical/minor issues regarding fire safety are found		1
Critical/minor issues regarding chemical safety are found	1	
Critical/minor issues regarding ergonomics are found	2	
Other		1: Breast feeding mothers work overtime. PPE not used.

Legally binding employment relationship		
Not all social security or insurance fees are paid	1	
No areas for improvement	1	1