



Brand performance check report
Deuter Sport GmbH & Co. KG
November 2012

FWF member since:

August 2011

Sources of information:

Interview with Bernd Michael Kullmann (Managing Director)

Interview with Katrin Riedel (Corporate Responsibility Manager)

Interview with Steve Buffinton (Head of Product Management)

Interview with Sebastian Schmidt (Supply Chain Manager)

Annual report and work plan

Archived documents

Database FWF

Performance check carried out by:

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Introduction

In November 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Deuter Sport GmbH & Co. KG (hereafter: Deuter Sport). The performance check is a tool for FWF to verify that Deuter Sport implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the performance check has been the work plan for 2012. FWF tailored the performance check to the specifics of the management system of Deuter Sport in order to assess the key issues of interest. During the performance check, employees of Deuter Sport were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the performance check. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system or performance needs improvement to ensure effective implementation of the Code of Labour Practices, a requirement for improvement is formulated. The implementation of required improvements is mandatory under FWF membership. In addition, FWF formulates recommendations to further support Deuter Sport in implementing the Code of Labour Practices. The numbering of the requirements and recommendations correspond with the numbers of the conclusions.

This report focuses on those aspects of the management system of Deuter Sport that have been identified as key areas of interest for 2012. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that performance check reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all performance checks on www.fairwear.org. FWF encourages Deuter Sport to include information from the performance check report in its social report.

Executive summary

Deuter Sport meets most of FWF's management system requirements for the first year of membership and goes beyond some of them.

The sourcing practices of Deuter Sport generally support effective implementation of the Code of Labour Practices. All suppliers are requested to sign the Code of Labour Practices (CoLP) and to complete the questionnaire on the FWF labour standards.

Deuter Sport has a single supplier for each of its two product groups: one for backpacks, one for sleeping bags. The company has long term relations with all of its suppliers. Deuter Sport works with its current supplier for backpacks since 1994 and with its sleeping bag supplier for 9 years. Deuter Sport has substantial leverage at its supplier for backpacks, which represents 92.7% of its purchasing volume and produces almost exclusively for the company. This enables Deuter Sport to work effectively on improvements with this supplier. FWF regards this long term mutual commitment between buyer and supplier as a best practice in purchasing practices.

In 2011-2012 Deuter Sport carried out audits at all production sites of its supplier for backpacks, which means that 92.7% of the total FOB 2010 purchasing value of the company is covered by the monitoring system of the company. The company herewith goes beyond FWFs requirement for monitoring working conditions in factories for the first year of membership (which is 40%).

Deuter Sport participates in FWFs project with various outdoor companies to assess the impact of hypothetical increases towards living wage benchmarks. Through this engagement Deuter Sport shows that it is committed to working towards implementation of living wages in collaboration with FWF.

In its external communications Deuter Sport discloses the name and detailed info on its supplier for backpacks. FWF regards this as a best practice since it contributes to transparency on working conditions in supply chains.

Deuter Sport actively responds to questions resulting from public campaigns to raise awareness among consumers. Company staff participates in external events to give insight in its work to implement labour standards. By doing so the company contributes to growing awareness of working conditions in factories among consumers and in the outdoor industry.

Positive findings

Conclusions

1. Deuter Sport maintains a business relation for more than 5 years with factories accounting for 100% of its total purchasing volume, and has substantial leverage (at least 10% of factory production capacity) at both of its suppliers. The backpack factory represents 92.7% of its purchasing volume of Deuter Sport and produces almost exclusively for the company. This enables the company to work effectively on improvements with this supplier. FWF regards this mutual commitment between buyer and supplier as a best practice in purchasing practices.
2. In its external communications Deuter Sport discloses the name and detailed info on its supplier for backpacks. FWF regards this as a best practice since it contributes to transparency on working conditions in supply chains.
3. Deuter Sport participates in FWFs project with various outdoor companies to assess the impact of hypothetical increases towards living wage benchmarks. Through this engagement, Deuter Sport shows that it is committed to working towards implementation of living wages.
4. Deuter Sport actively responds to questions resulting from public campaigns to raise awareness among consumers. Company staff participates in external events to give insight in its work to implement labour standards. Doing so, the company contributes to growing awareness of working conditions in factories among consumers and other parties.

1. Sourcing

Conclusions

1. The sourcing practices of Deuter Sport generally support effective implementation of the Code of Labour Practices. All suppliers are requested to sign the Code of Labour Practices (CoLP) and to complete the questionnaire on the FWF labour standards.
2. Deuter Sport has a single supplier for each of its two product groups: one for backpacks, one for sleeping bags. The company aims at having long term relations with suppliers. Deuter Sport works with its current supplier for backpacks since 18 years and with its sleeping bag supplier for 9 years. Deuter Sport maintains a business relation for more than 5 years with factories accounting for 100% of its total purchasing volume, and has substantial leverage (at least 10% of factory production capacity) at both suppliers. The backpack factory represents 92.7% of its purchasing volume of Deuter Sport and produces almost exclusively for the company. This enables the company to work effectively on improvements with this supplier. FWF regards this mutual commitment between buyer and supplier as a best practice in purchasing practices.
3. 100% of the production is sourced in high risk countries Vietnam and China. Deuter Sport does not place orders at FWF member factories and does not own factories itself.
4. Due to the limited amount of suppliers, Deuter Sport does not need a system which ranks suppliers in their performance on working conditions.
5. The audit carried out by FWF teams at the backpack supplier 2011 pointed out that

wages were above local minimum standards. In October 2011 there were no benchmarks available from stakeholders on living wages in Vietnam. Overtime work was not always paid according to Vietnamese law. In addition it found during the audit that the factory made use of excessive overtime. When the supplier was audited again in 2012 FWF found that wages for a regular working week including fringe benefits were above the new local legal minimum wage. Wages were also above the amount that trade union VGCL believes to be sufficient to cover the monthly costs of food, non-food and childcare expenses. Wages are however below the level advocated in Vietnam by Asia Floorwage campaign.

6. Deuter Sport is aware that (excessive) overtime is a crucial matter that requires a long term approach and careful production planning in cooperation with suppliers. Deuter Sport took new measures in 2011-2012 to further improve production planning. The company adopted a new order planning process. Deuter Sport places its orders every two weeks. The orders are placed much earlier than in previous years to allow a better distribution between peak and low season. Furthermore Deuter Sport is now asking all of its distributors to place their orders early. The company still sees room for improvement in its joint planning with its backpack supplier to manage expectations on both sides. A key question is how to distribute the orders evenly for the whole year to avoid extreme peak and low seasons.

7. During the audits by FWF teams in 2011 and 2012 the supplier of Deuter Sport for backpacks stated that he is happy with how Deuter Sport negotiates on prices and lead times. According to the supplier Deuter Sport confirms samples on time, giving the factory enough time for production.

8. Deuter Sport reaches an agreement on prices and delivery times with suppliers on the basis of negotiations after target prices are set on the basis of past experience. In the past years Deuter Sport and its backpack supplier had to deal with a few cases of unexpected price increases. In these cases both companies found a way to split the burden in a way that was acceptable for both. If prices go up due to increases in wages, Deuter Sport generally accepts that.

9. Deuter Sport participates in FWFs project with various outdoor companies to assess the impact of hypothetical increases towards living wage benchmarks. Through this engagement, Deuter Sport shows that it is committed to working towards implementation of living wages.

Recommendations

6. FWF recommends Deuter Sport to analyse the root causes of excessive overtime at its backpack supplier in Vietnam. As part of such an analysis all incidents of overtime, their origin and severity could be recorded during a period which is representative for production peaks. FWF could give references of credible local experts who could facilitate an assessment on working hours in the workplace.

2. Coherent system for monitoring and remediation

Conclusions

1. Deuter Sport has designated staff to coordinate activities to monitor and improve working conditions in factories and a systematic way to manage the process to follow up on corrective action plans. In 2011-2012 the company focused on monitoring working conditions at its backpacks supplier. After the audit in October 2011 the supplier reported progress on a regular basis to the corporate responsibility manager of Deuter Sports. The production manager who visits the supplier each 4-6 weeks is involved in the process to follow up on the corrective action plan (CAP) by the corporate responsibility manager and checks on specific issues when at the factory. Relevant information from meeting reports of staff of the purchasing department is included in the CAP follow up system.
2. In 2011-2012 Deuter Sport carried out audits at all production sites of its supplier for backpacks. According to the supplier register provided by Deuter Sport, 92.7% of the total FOB 2011 purchasing value of the company is herewith covered by the monitoring system of the company. This means that the company goes beyond FWFs requirement for monitoring working conditions in factories for the first year of membership (which is 40%).
3. Corrective action plans resulting from audits are followed up on by Deuter Sport by requesting the supplier to give a periodic updates on progress in realizing improvements. Deuter Sport collects pictures and documents via email as a way to provide evidence on realised improvements.
4. For its supplier of sleeping bags, Deuter Sport collected an existing audit report from a main customer. Deuter Sport followed up on the existing CAP. The corporate responsibility manager visited in this supplier in May to discuss requirements following from FWF membership of Deuter Sport. Deuter Sport plans to audit this supplier in 2013/2014.

3. Complaints procedure

Conclusions

1. Deuter Sport has a designated person responsible for handling complaints and is sufficiently aware of how FWFs complaints procedure works.
2. In 2011-2012 FWF did not receive complaints from workers of factories producing for Deuter Sport.
3. Deuter Sport generally sees to it that the Code of Labour Practices (CoLP) including contact information of the local complaints handler of FWF is posted in factories in a location that is accessible to workers. The company collects photos of the posted document during visits of purchasing staff as evidence.
4. The audits by FWF teams in 2011 and 2012 at the backpack supplier of the company in Vietnam confirmed that the translated document is posted in the workplace at all production sites.

4. Labour conditions and improvements

Conclusions

1. The audits carried out in 2011 and 2012 by the FWF team at the main supplier of Deuter Sport in Vietnam it was found that various improvements were made. The supplier had started a weekly health and safety training. The FWF Code of Labour Standards is regularly explained to workers and posted at all subcontractors. A policy was implemented to ensure that juvenile, pregnant and breastfeeding workers are protected as required in Vietnamese law. All workers are given a pay stub. The amount of strikes had gone down since the period from before the first audit. The audit pointed out that Wages for a regular working week of most workers in most departments are above the local legal minimum wage and generally also above the amount that the trade union VGCL believes to be sufficient to cover the monthly costs of food, non-food and childcare expenses. The factory improved on signing and renewing labour contracts with all workers.

2. Some issues were improved but needed further progress. The supplier developed a formal grievance mechanism, which was however not yet enacted in all production sites. Improvements were made regarding fire and machine safety but additional work is still needed. Piece rates for overtime work were increased to guarantee compliance with Vietnamese law.

3. FWF finds that limited improvements were made on the standard Reasonable Working Hours and highlights this area as the main challenge for Deuter Sport for 2013. The factory is also expected to continue looking for ways to support female employees with children of nursing and kindergarten age. Workers must be better informed that overtime is always voluntary and management must make it easier for workers to refuse overtime. In case workers resign they are not given their annual leave benefits.

Based on results of audits carried out by FWF teams an overview of improvements in labour conditions in factories has been drawn up. The overview is annexed to this report. Results of audits by other initiatives are not summarized.

Recommendations

2. FWF recommends Deuter Sport to investigate the root causes of excessive overtime. As part of such an analysis all incidents of overtime, their origin and severity should be recorded during a period which is representative for an entire production season. After this analysis, a step-by-step plan could be drafted by the factory to bring the amount of working hours down to legally allowed levels. As an outcome of assessing the root causes of excessive overtime, the plan should specify how and if and to what extent the factory can control overtime hours, and to what extent Deuter Sport could assist. FWF could give references of credible local experts who could facilitate an assessment on working hours in the workplace.

5. Training and capacity building

Conclusions

1. Staff of Deuter Sport is sufficiently informed about steps taken to implement FWF membership. This is mainly done through an internal presentation that is done twice a year by the corporate responsibility manager to all staff of Deuter Sport. Staffs of Deuter Sport who visit suppliers are briefed before factory visits to enable them to check follow up on corrective action plans.
2. The corporate responsibility manager of Deuter Sport is actively participating in seminars, round tables and working groups. This contributes to general awareness of corporate responsibility in the company.
3. Through meetings and discussion over email the suppliers of Deuter Sport are sufficiently informed about FWF membership and the implementation of the Code of Labour Practices.
4. Deuter Sport arranged that its supplier participated in an ETI training seminar on labour standards and health & safety.

Recommendations

1. For future meetings to inform staff and consumers about FWF membership, it is possible to make use of FWFs animation film. An English version is available on www.fairwear.org. A German version will be released by FWF soon.
4. Deuter Sport is recommended to enrol of its supplier in China in FWFs Workplace Education Programme (WEP), which offers trainings factories producing for FWF members. WEP trainings contribute to social dialogue between workers and management. The introductory training of WEP builds awareness of labour standards and strengthens dispute handling mechanisms. It is made available to FWF members free of charge.

6. Information management

Conclusions

1. The supplier register for 2012 meets the requirements of FWF. It lists all factories that manufacture backpacks and sleeping bags for Deuter Sport. For each supplier it specifies production location data, FOB value and important other customers of suppliers.
2. FWF found that the supplier register does not include all subcontractors of suppliers. These subcontractors will be included in the supplier register for 2013.
3. FWF found that the supplier register does not include suppliers of promotional textiles that Deuter Sport uses for marketing.
4. Deuter Sport has a functioning workflow and a designated person to keep its supplier register up to date. The company maintains its supplier register on the basis of order

administration and the annual questionnaires that are collected from factories and systematically analysed.

5. Information on the status of corrective action plan is systematically collected and maintained on the corporate server. This information includes updates from purchasing staff and top management visiting suppliers. Discussions with suppliers on specific improvement points are well documented.

Requirements

2. Deuter Sport is asked to include all subcontractors of suppliers in the register of 2013.
3. Deuter Sport is asked to include all suppliers of promotional textiles in the register of 2013.

7. Transparency

Conclusions

1. Deuter Sport informs consumers and other external parties about its approach to improve working conditions through its corporate website, dealer workbooks, product flyers and store meetings. This happens in correct wording and with references to FWFs website for further information.
2. In its external communications Deuter Sport discloses the name and detailed info on its supplier for backpacks. FWF regards this as a best practice since it contributes to transparency on working conditions in supply chains.
3. Deuter Sport does not yet make use of on product communication to inform consumers about FWF membership.
4. The company does not publish corrective action plans resulting from audits on its website.
5. Deuter Sport actively responds to questions resulting from public campaigns to raise awareness among consumers. Company staff participates in external events to give insight in its work to implement labour standards. Doing so the company contributes to growing awareness of working conditions in factories among consumers and in the outdoor industry.

Recommendations

3. Deuter Sport meets FWFs requirements (factories representing 90% of its purchasing volume are audited or based in low risk countries) to make use of product hangtags or other on product communication to state that the company is a FWF member. Design of the hangtags must be checked with FWF communications staff before public usage.
4. FWF regards the publication of corrective action plans and realized improvements as a best practice for transparency. This could be of interest in the future for Deuter Sport.

8. Management system evaluation and improvement

Conclusions

1. Deuter Sport discusses progress in implementing FWF membership as part of regular internal discussions. This was mostly done quickly after the audits in 2011 and 2012. A yearly evaluation of FWF membership has not yet taken place.
2. Deuter Sport collects feedback from factories as part of ongoing discussions. Due to the limited amount of suppliers a formal way of evaluating implementation of the Code of Labour practices offers little added value.

Recommendations

- 1-2. FWF recommends evaluating once a year if the approach to improve working conditions is effective. The evaluation could for example assess which improvements were (not) successfully implemented in factories, whether the chosen approach was cost efficient, whether purchasing practices have been supportive for implementation of the Code of Labour Practices and if FWF membership was successfully communicated to external parties.
2. FWF regards collecting feedback from factories as input for this annual evaluation as a best practice. This could give insight in how factories could best be supported in the improvement process, and may strengthen support for FWF membership among factories.

9. Basic requirements of FWF membership

Conclusions

1. Deuter Sport handed in a work plan for 2011-2012 that was approved by FWF.
2. Deuter Sport paid its membership fee for 2011-2012.

10. Recommendations to FWF

Recommendations

1. Deuter Sport would welcome FWF to develop communication materials in other languages such as Chinese, Korean and Russian.
2. Deuter Sport regards FWF as an important partner and a source of learning for corporate responsibility. FWF membership offers added value for corporate communications.

Improvement of labour conditions: summary of most important findings	Factory in Vietnam audited in October 2011 on behalf of Deuter Sport to monitor working conditions	Same factory in Vietnam audited in November 2012 on behalf of FWF to verify improvements
Sourcing practices of Deuter Sport	The supplier stated that he is happy with how Deuter Sport negotiates on prices and lead times. According to the supplier Deuter Sport confirms samples on time, giving the factory enough time for production. In October 2011 there were no benchmarks available from stakeholders on living wages in Vietnam.	The supplier again stated that he is happy with how Deuter Sport negotiates on prices and lead times. According to the supplier Deuter Sport confirms samples on time, giving the factory enough time for production. Wages for a regular working week including fringe benefits were above the new local legal minimum wage. Wages were also above the amount that trade union VGCL believes to be sufficient to cover the monthly costs of food, non-food and childcare expenses. Wages are however below the level advocated in Vietnam by Asia Floorwage campaign.
Monitoring system of Deuter Sport	This audit was the first audit on behalf of Deuter Sport to monitor working conditions in the factory.	After the previous audit Deuter Sport worked closely with the factory to coordinate follow up of the remediation plan.
Management system of factory to improve labour standards	No areas for improvement.	Corrective action plan of previous audit is not communicated to workers.
Communication and consultation	Workers are not informed and consulted about FWF Code of Labour Practices.	Factory organizes health and safety training every week, where the FWF Code of Labor Standards is explained to workers. All subcontractors were provided a copy of the FWF Code of Labour Standards and required to sign it.
Employment is freely chosen	Workers cannot freely leave the factory during overtime hours. There is no system to guarantee that overtime is always voluntary.	The FWF audit team found insufficient improvement on this issue.
No discrimination in employment	Workers are required to sign a commitment not to have baby during the 1st year of employment.	This practice has been canceled.
No exploitation of child labour	Juvenile workers were not registered and given special protection, as required by Vietnamese law.	A written policy on juvenile workers was developed and implemented. Currently there are 2 juvenile workers who are not working overtime.
Freedom of association and the right to collective bargaining	The Collective Bargaining Agreement (CBA) is not properly communicated to workers.	The CBA is posted in one of the sites, but further improvement is still needed to ensure workers can read the information without being watched.
Payment of a living wage	According to information from management and payroll documents, it is noted that workers are paid a fixed amount for overtime hours, which is not in compliance with the legal requirements. Not all workers are given a pay slip.	Factory increased the piece rates to guarantee that overtime pay levels comply with Vietnamese law. All workers are given a pay slip.
Reasonable hours of work	Excessive overtime was found. A weekly rest day is not guaranteed to all workers. Overtime work is not properly recorded.	No excessive overtime was found at the time of the audit. The supplier stated that overtime remains a critical issue, especially during production peak periods. Although the amount of Sunday work decreased since previous audit a weekly rest day is not structually guaranteed to all workers. A few cases were found of overtime work on Sunday that had not been recorded.
Safe and healthy working environment	Various improvements needed regarding fire and machine safety. Workers not making use of protective equipment.	A weekly safety training has been arranged. Emergency exits and signs must be improved in all production sites. Workers not making use of protective equipment. The sites lack a designated health&safety officer and a doctor, as required by law.
Legally binding employment relationship	Not all workers given social insurance. Factory does not renew temporary contracts after these expire.	Factory now signs two temporary contracts with new workers, after both terms an indefinite term is signed.