



Management system audit report

Jack Wolfskin

May 2012

FWF member since:

01-07-2010

Sources of information

Interview with Melanie Kuntnawitz and Kai-Ingela Gerasch (Vendor control / CSR)

Interview with Christian Brandt (Chief Operations Officer)

Interview with Franz-Peter Kaiser (Head of Purchasing)

Interview with Thomas Zimmerling (Senior Manager Communication)

Annual report and work plan

Archived documents

Database FWF

Audit conducted by:

Ivo Spauwen and Stefanie Santila Karl



Performance check Jack Wolfskin – May 2012

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Introduction

In May 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Jack Wolfskin Ausrüstung für Draussen GmbH & Co. KGaA (hereafter: Jack Wolfskin). The performance check is a tool for FWF to verify that Jack Wolfskin 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 2011. FWF tailored the performance check to the specifics of the management system of Jack Wolfskin in order to assess the key issues of interest. During the performance check, employees of Jack Wolfskin 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 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 Jack Wolfskin 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 Jack Wolfskin that have been identified as key areas of interest for 2011-2012. 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.



Executive summary

Jack Wolfskin meets FWFs management system requirements and goes beyond several of them.

The sourcing practices of Jack Wolfskin generally support effective implementation of the Code of Labour Practices. Jack Wolfskin has substantial leverage as a customer at many of its suppliers. This enables the company to effectively request improvements in working conditions. In general the order placement process does not contribute to excessive overtime in factories.

During three factory audits in Vietnam (2) and Turkey (2011-2012) FWF audit teams found excessive overtime in all three factories. No cases of forced labour, child labour, discrimination or payments below the legal minimum wage were found.

Jack Wolfskin has a highly organised and systematic approach regarding the process of monitoring working conditions in factories. The percentage of the 2011 purchasing volume of Jack Wolfskin that has been audited (100%) exceeds the required percentage based on the duration of FWF membership (which is 60%). Jack Wolfskin works with external audit company Sumations to monitor working conditions in factories. Through audits by local FWF teams to verify improvements it was found that these audits generally make an accurate assessment of the level of working conditions.

In 2011 Jack Wolfskin adequately responded to complaints submitted by workers. In April 2011 a complaint was filed against a factory in Indonesia which is a supplier of FWF affiliate Jack Wolfskin. Jack Wolfskin made strong efforts to help resolve the complaint before and after the complaint was filed through FWFs complaints procedure. Besides that Jack Wolfskin actively sought cooperation with other customers in an effort to resolve the complaint.

In 2011 the company set up training on occupational health & safety for its footwear manufacturers in China. In addition, the company has offered management training to several of its apparel suppliers.

The company actively responds to questions resulting from public campaigns to raise awareness among consumers. Company staff attends external events to give insight in its work to implement labour standards. Sales staff at Jack Wolfskin's own shops are well aware of the activities of the company to implement labour standards. Especially customers at international spots (airports) are very interested in such information.

Jack Wolfskin has published its 2010 annual report on its corporate website.

1. Positive findings

Conclusions

1. The percentage of the 2011 purchasing volume of Jack Wolfskin that has been audited (100%) exceeds the required percentage based on the duration of FWF membership (which is 60%). In general Jack Wolfskin has a highly organised and systematic approach regarding the process of monitoring working conditions in factories.
2. Jack Wolfskin audits production sites on an annual basis, unless factories received the highest score during the last audit. This monitoring frequency by Jack Wolfskin supersedes FWFs requirement (one audit per production location during each period of 3 years, unless rigid violations of labour standards are found).
3. Jack Wolfskin actively sought cooperation with other customers in an effort to remediate the complaint.

2. Sourcing

Conclusions

1. The sourcing practices of Jack Wolfskin generally support effective implementation of the Code of Labour Practices. Jack Wolfskin generally aims at having long term relations with suppliers. Performance of suppliers regarding social standards is taken into account in the process of selecting suppliers and placing orders. Jack Wolfskin has no written policy which specifically describes its purchasing practices.
2. Of all suppliers in its 2011 supplier register Jack Wolfskin maintains a business relation for more than 5 years with suppliers which accounted for 71.6 % of its total 2011 purchasing volume (of 24.1 % of these suppliers, Jack Wolfskin has produced at all production sites for more than 5 years, for the suppliers in the remaining 47.5 % it goes that Jack Wolfskin production was started at one or more new subcontractor since 2008 or later). Jack Wolfskin has substantial leverage (at least 10 % of factory production capacity) as a customer at suppliers representing 75 % of its 2011 purchasing volume (this percentage is a rough estimate that was made on the basis of available data, for some subcontractors these percentages were not known). This enables the company to effectively request improvements in working conditions at these suppliers. Less than 1 % of its 2011 purchasing volume is produced in low risk countries Italy and Slovakia. Jack Wolfskin does not own production sites; none of the suppliers of Jack Wolfskin is a FWF member factory.
3. Working conditions and the willingness of suppliers to cooperate on improvements are a criterion in the selection of new suppliers and the continuation of business relationships. New suppliers are selected by the sourcing department of Jack Wolfskin. New factories are generally audited during the test order phase. For existing suppliers there are regular discussions between the CSR and sourcing department regarding the social compliance status of specific suppliers. Generally the CSR department discusses audit results with the sourcing department which takes their recommendations into account.
4. Jack Wolfskin has a system to grade suppliers regarding performance on working conditions. The company is presently developing a new rating scale which takes performance of suppliers into account regarding social standards. The auditors that are



commissioned by Jack Wolfskin determine the rating where social standards are concerned. The rating incorporates audit results, process performance after previous audits and general capacity of factory management to ascertain good working conditions. It is used internally to manage expectations with the purchasing department and the supplier

5. In general the order placement process does not contribute to excessive overtime in factories. It includes a detailed production timeframe for each supplier including dates for samples and delivery of orders. The purchasing department of Jack Wolfskin coordinates a central planning for each supplier, which does include a reasonable amount of slack for dealing with unexpected delay. Through ongoing communication with suppliers the company is generally able to keep track of production schedules and able to detect potential delay. In case delays occur at nominated suppliers of fabrics or trimmings Jack Wolfskin takes responsibility in dealing with the consequences, possibilities then include payment for air freight or delaying delivery to sales outlets. The company collects feedback from suppliers regarding delivery times.

6. During three factory audits in Vietnam (2) and Turkey (2011-2012) FWF audit teams found that excessive overtime took place. FWF verified during the performance check that placement of specific orders at the factory had offered sufficient space to the factory to avoid excessive working hours.

7. In case excessive overtime is found in factories Jack Wolfskin generally enters a discussion with the supplier regarding possibilities to reduce of order volumes or increase production capacity. In the view of the company, there is a need among suppliers to improve production planning in order to work effectively on reducing excessive overtime. The company recommends factories to make use of nominated experts to increase productivity. A few suppliers of Jack Wolfskin in East Asia are making use of support by experts that were suggested by Jack Wolfskin, or considering doing so.

8. Jack Wolfskin has a workflow to ascertain that suppliers get paid in time. After order shipment and invoice checking by purchasing staff, the accounting department generally pays within 5 days.

9. Jack Wolfskin assesses the cost of labour in its pricing policy. The CSR department has provided a framework for salary costs in reference to the cost of living in its most important production countries on the basis of the local purchasing power parity equivalent of \$2 PPP per family member per day. The company also takes other wage / income benchmarks into account during the process of monitoring wages in factories. When purchasers staff visit factories, they are generally informed about the performance of factories vis-à-vis the various wage benchmarks.

10. During three factory audits in Vietnam (2) and Turkey (2011-2012) FWF audit teams did not find cases of payments below the legal minimum wage. It was generally found at these factories that a substantial amount of workers are paid wages for regular working hours which are below the benchmarks that are advocated by local stakeholders as living wages.

Recommendations

1. A written sourcing policy that specifies how implementation of labour standards is taken into account in selection of suppliers and order placement could give buyers a clear incentive and mandate to act accordingly.
2. FWF encourages Jack Wolfskin to discuss its cost of labour assessment in further detail to establish to which extent this approach could support a best practice example in working towards payment of living wages in factories.

3. Coherent system for monitoring and remediation

Conclusions

1. The percentage of the purchasing volume of Jack Wolfskin that has been audited exceeds the required percentage based on the duration of FWF membership (which is 60% as Jack Wolfskin joined FWF in 2010). In 2011 Jack Wolfskin audited 83 factories representing 100% of its purchasing volume according to its 2011 supplier register. In addition to clothing this percentage includes the suppliers for shoes and equipment. This percentage also includes factories in Slovakia and Italy, which are regarded as low risk countries by FWF. Jack Wolfskin audits production sites on an annual basis, unless factories received the highest score during the last audit. This monitoring frequency by Jack Wolfskin supersedes FWFs requirement (one audit per production location during each period of 3 years, unless rigid violations of labour standards are found).
2. Jack Wolfskin works with external audit company Sumations to monitor working conditions in factories. During FWF’s verification audits it was found that these audits generally make an accurate assessment of the level of working conditions. The audit process includes a pre-audit assessment around the factory and worker interviews on-site. These elements are given sufficient weight in the process of aggregating findings from different information sources. Audit reports contain a sufficient level of detail on findings and required corrective actions. The audit reports refer to a comprehensive supplier scoring system (zero to four points) which is clearly defined in the audit guidelines of Sumations. Sumations staff is well informed about FWFs policy documents on FWFs labour standards and actively uses FWFs country studies.
3. FWF has verified that corrective action plans resulting from conducted audits are systematically agreed upon, followed up and reported on. If necessary a representative of the CSR department physically visits suppliers to discuss follow up on corrective action plans with management of factories. The vendor control department decides per supplier on a case by case basis how many follow up visits are needed for a supplier. Besides that the CSR department has ongoing contact with suppliers through phone and email. If necessary sourcing staff that visits a supplier can be informed about how specific suppliers are performing with regard to social compliance. In some cases sourcing or technical staff visiting a supplier is asked to take pictures of the Code of Labour Practices that should be posted in the workplace.
4. Factories are audited once a year unless they received the maximum score. If factories receive a low score or if their score deteriorated in comparison to a previous audit, a re-audit or follow up visit is carried out within a few months. A maximum amount of three follow up visits is carried out per year.
5. The company cooperated with one other FWF member company on a shared audit

and shared in total 6 Sumations reports with other companies in the outdoor industry with whom Jack Wolfskin has suppliers in common. The company decided in case of some reports to not share these with other FWF members since the company opposes freeriding by competitors. The company is presently considering sharing corrective action plans from Sumations audits with other FWF members.

6. In 2011 Jack Wolfskin proactively approached other customers of its suppliers to arrange shared audits and shared follow-up of corrective action plans. In case of these suppliers Jack Wolfskin exchanged detailed information on the follow-up process with other companies, which set a positive example for other companies.

Recommendations

2. It would be good to specify in audit reports how many workers were interviewed as part of the audit process.

5. FWF recommends Jack Wolfskin to seek cooperation with other customers of suppliers. To avoid freeriding and protect business sensitive data, FWF recommends sharing corrective action plans only with companies that are active customers and committed to support the follow up process by contributing resources. FWF can facilitate cooperation and give guidance on shared follow up if needed.

4. Complaints procedure

Conclusions

1. Jack Wolfskin has designated a person to handle complaints. This person is well aware of FWFs complaints procedure and is able to follow up on complaints quickly. Jack Wolfskin has a functioning workflow for complaints handling. If a complaint is received from workers of suppliers this is discussed with the head of vendor control. If necessary the sourcing department is involved in the case. Besides FWFs complaints procedure, the company also operates its own procedure. This consists of an online system which allows anyone who wishes to remain anonymous to file a complaint with the company. FWF has verified that Jack Wolfskin follows up on such complaints in a resilient way.

2. Jack Wolfskin 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. In case of a supplier visit staff from sourcing or technical departments are occasionally asked by the CSR department to check if the document is posted.

3. FWF verified that FWF's CoLP including the contact information of the local complaints handler of FWF is posted in the work place at two out of three suppliers that were audited by FWF teams. In the case of a factory in Turkey that was audited, Jack Wolfskin provided the CoLP in English and the local language but the supplier was not willing to post the CoLP. Following the audit, Jack Wolfskin sent FWF pictures as a means to indicate that the CoLP was hung up at the factory.

4. In 2011 Jack Wolfskin adequately responded to complaints submitted by workers. In April 2011 a complaint was filed against a factory in Indonesia which is a supplier of

FWF affiliate Jack Wolfskin. The complaint related to the labour standard ‘Freedom of Association and the right to Collective Bargaining’: members of a trade union were dismissed by factory management on unfair grounds after filing a complaint regarding their working conditions at the local government. The complaints report can be accessed [through this link](#). Jack Wolfskin made strong efforts to help resolve the complaint before and after the complaint was filed through FWFs complaints procedure. Jack Wolfskin actively sought cooperation with other customers in an effort to resolve the complaint, unfortunately without success. The company is monitoring the handling of the case in Indonesian court.

5. In November 2011 FWF received a complaint from workers of a supplier in Vietnam. This complaint is currently under investigation. If the investigation points out that the complaint is grounded, FWF will publish a report on how the complaint was handled on its website.

5. Labour conditions and improvements

Conclusions

1. Between June 2011 and May 2012, three factory audits were carried out by FWF teams. These audits were done in Turkey (August 2011), Vietnam (October 2011 and May 2012). The first two factories represented respectively 3.47 % and 3.51 % of the total purchasing volume of Jack Wolfskin according to its 2011 register, whereas the third factory is a subcontractor of a supplier for shoes that in total represents 9.59%.

Jack Wolfskin finds that in general it has been quite successful in helping factories understand why procedures are important for the implementation of social standards. As a result of personnel changes at suppliers, the key challenge is to keep suppliers into the learning flow.

2. During the audit at the supplier in Turkey it was found that all wages are paid according to Turkish legislation. The factory employed some juvenile workers who are working more hours per day than legally allowed in Turkey. General working hours exceed the maximum amount of 270 hours/year that Turkish law allows for. Employment contracts contained a non-legal stipulation that stated that workers would accept overtime on holidays and national holidays upfront.

3. The first audit in Vietnam pointed out that workers received at least the minimum wage but wage records were not maintained according to general standards. Juvenile workers (between 16-18 years) were not provided with protections and annual medical examinations as required by Vietnamese law. Excessive overtime was found and workers were not guaranteed a weekly rest day. Various improvements were found necessary with regard to fire and machine safety.

4. During an audit at the second factory in Vietnam, FWFs team found that workers are given 12 days of annual leave while Vietnamese labour law requires 14 days for hazardous and heavy work. Factory lacks a functioning chemical management system. The factory had not bought social insurance for some workers.

By way of following up on the corrective action plan from this audit, a representative of Jack Wolfskin visited the factory soon hereafter. The factory made promises to decrease working hours and assured Jack Wolfskin that its order placements were no direct reason for overtime work since their orders are relatively stable compared to other customers. The factory committed to inform its subcontractors about the Code of Labour

Practices. Jack Wolfskin asked the factory to assess the wage level that would enable worker to meet basic needs.

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

6. Training and capacity building

Conclusions

1. Staff of Jack Wolfskin is sufficiently informed about FWF membership and the implementation of the Code of Labour Practices. Information is generally distributed among all staff through intranet. New personal is given a training on Jack Wolfskin's approach regarding social standards by the vendor control team.
2. Agents and suppliers of Jack Wolfskin are sufficiently informed about FWF membership and the implementation of the Code of Labour Practices. The company has developed a general presentation for suppliers that specifies its requirements regarding social standards. Jack Wolfskin puts much emphasis on awareness raising at management level during audits. This is done on a case by case basis depending on how its auditors assess the level of knowledge factory management has regarding required procedures and relevant laws. In a minority of cases the company chooses to carry out management training before an audit is done. Jack Wolfskin has developed a general presentation to explain the standards of its code of conduct to factory management.
3. In 2011 Jack Wolfskin developed a training on occupational health & safety for its footwear manufacturers in China, which will take place in July 2012. In addition, the company has offered management training to several of its apparel suppliers.
4. Jack Wolfskin has made efforts to enrol suppliers in FWF training projects that aim at strengthening social dialogue.

Recommendations

4. During 2012-2015 FWF offers factory trainings to strengthen grievance mechanisms and social dialogue on factory level to its members, at no cost. Jack Wolfskin is encouraged to enrol some of its crucial suppliers for these trainings, which are offered in Bangladesh, China, India and Turkey.

7. Information management

Conclusions

1. The supplier register of Jack Wolfskin for 2011 meets the requirements of FWF. It lists all factories that manufacture clothing, shoes and equipment for Jack Wolfskin, including subcontractor. For each supplier it specifies production location data, FOB value, audit and follow up visit dates and important other customers of suppliers.
2. Jack Wolfskin has a functioning workflow to keep its supplier register up to date. The company maintains its supplier register on the basis of its order administration and information from audit reports.

8. Transparency

Conclusions

1. Jack Wolfskin sufficiently informs the public about its FWF membership. The company informs consumers and other external parties about its approach to improve working conditions through its corporate website and its blog on FWF membership. FWF membership is explained on the website in correct wording. In addition its website generally describes its approach to work towards good working conditions in factories.
2. Jack Wolfskin has published its 2010 annual report on its corporate website.
3. The company makes use of hangtags to inform consumers about its FWF membership.
4. The company actively responds to questions resulting from public campaigns to raise awareness among consumers. Company staff attends external events to give insight in its work to implement labour standards.
5. Sales staff at Jack Wolfskin's own shops are well aware of the activities of the company to implement labour standards. Especially customers at international spots (airports) are very interested in such information.

9. Management system evaluation and improvement

Conclusions

1. Jack Wolfskin evaluates in a systematic manner to what extent goals related to its FWF membership are achieved. Performance on improving labour standards in the supply chain is measured and evaluated during progress report meetings with top management. Top management is briefed on a monthly basis on audit results. The persons in the company that are involved in activities in this regard discuss these when relevant.
2. Jack Wolfskin collects feedback from agents and factories during one-on-one discussions to evaluate their view on the process to implement the Code of Labour practices.

Recommendations

1. It could be of added value to evaluate once a year to what extent the approach to improve working conditions is effective. The evaluation would need to assess which improvements were and were not successfully implemented in factories, if communication with factories on this issue goes smooth, and whether the chosen approach is cost efficient.

10. Basic requirements of FWF membership

Conclusions

1. Jack Wolfskin handed in a work plan for 2011 and 2012 that was approved by FWF
2. Jack Wolfskin paid its membership fee for 2011 and 2012.



11. Recommendations to FWF

Recommendations

1. Jack Wolfskin regards the recent activities of FWF to increase visibility among consumers as very positive. Consumers would benefit even more from more low key info.
2. The vendor control department would like to see that the information from stakeholder consultation is separated from factory specific findings in audit reports. Besides that, a rating of findings is expected to be helpful.
3. Jack Wolfskin is in favour of developing a more user friendly approach to provide information for supplier register, for example through an online database
4. Jack Wolfskin is opposed to sewing labels with information about FWF membership. The company believes this may cause consumers to believe that the product may have been certified whereas FWF membership applies to general performance of the brand company.
5. Jack Wolfskin would like FWF to improve in making sure that other member companies are also implementing its requirements regarding the quality of the audit follow up process by other member companies.

Improvement of labour conditions: summary of most important findings	Factory in Turkey audited in August 2011
Sourcing practices of Jack Wolfskin	Order planning of Jack Wolfskin allows for sufficient lead times. Wages do not meet local stakeholders estimate of a living wage.
Monitoring system of Jack Wolfskin	Jack Wolfskin conducted audits in 2008 and 2010, findings have been followed up with management. Many of the improvement points were realised after the previous audits.
Management system of factory to improve labour standards	The factory has a functioning system to implement labour standards.
Communication and consultation	FWFs Code of Labour Practices is not posted in the workplace and not communicated to workers.
No forced Labour	No violation found.
No discrimination in employment	No violation found.
No exploitation of child labour	There are seven young workers (two male, five female) in the factory, who are working more hours per day than legally allowed in Turkey.
Freedom of association and the right to collective bargaining	No violation found.
Payment of a living wage	All wages are paid according to Turkish legislation.
No excessive working hours	Working hours exceed the maximum amount of 270 hours/year that Turkish law allows for.
Safe and healthy working environment	The factory has a Health and Safety committee but it does not meet regularly. There are no elected worker representatives in the committee. There are no MSDS for the chemicals in the maintenance room.
Legally binding employment relationship	In contracts of workers it is stated that overtime on holidays and national holidays is accepted in advance, which is an illegal stipulation.

Improvement of labour conditions: summary of most important findings	Factory in Vietnam audited in October 2011
Sourcing practices of Jack Wolfskin	No violation found.
Monitoring system of Jack Wolfskin	Jack Wolfskin audited the factory on previous occasions. As a good practice, FWF recommends to inform workers about audit results and make them are aware of the improvement process.
Management system of factory to improve labour standards	No violation found.
Communication and consultation	Subcontractors had not committed to the Code of Labour Practices.
No forced Labour	No violation found.
No discrimination in employment	No violation found.
No exploitation of child labour	Juvenile workers (between 16-18 years) were not provided with any special protections and annual medical examinations.
Freedom of association and the right to collective bargaining	Disciplinary practices in the factory were not in line with existing regulations.
Payment of a living wage	Minimum wage was paid in this factory but manual wage records were not properly kept.
No excessive working hours	Overtime hours were not always properly recorded. Excessive overtime was found and workers were not guaranteed a weekly rest day.
Safe and healthy working environment	Various issues were found with regard to fire and machine safety.
Legally binding employment relationship	No violation found.

Improvement of labour conditions: summary of most important findings	Factory in Vietnam audited in May 2012
Sourcing practices of Jack Wolfskin	Most interviewed workers said that their total monthly income without overtime is not enough for living. According to information from management interview, the volume of orders by Jack Wolfskin in 2012 is less compared to 2011. It is evaluated that Jack Wofskin's products are technically relatively complicated but price is lower in comparison with other clients.
Monitoring system of Jack Wolfskin	Jack Wolfskin audited the factory in July 2011 and a follow up audit in January 2012.
Management system of factory to improve labour standards	Factory lacks a management system to improve labor standards.
Communication and consultation	FWF Code of Labour Standards was posted but interviewed workers have no awareness of it
No forced Labour	No violation
No discrimination in employment	No violation
No exploitation of child labour	No violation
Freedom of association and the right to collective bargaining	No violation
Payment of a living wage	All workers are provided 12 days of annual leave while labor laws requires 14 days for hazardous and heavy jobs such as handling chemicals, grinding, printing etc.
No excessive working hours	Excessive overtime was found for a substantial amount of workers during Dec 2011 and Apr 2012. Factory does not offer a weekly rest day.
Safe and healthy working environment	Factory lacks a functioning chemical management system.
Legally binding employment relationship	According to information from management and document inspection, approximately 20% of workers have signed labor contract but factory has not bought social insurance for them.