



Fair Wear Foundation

Management System Audit Report

Mammut Sports Group AG

15 September, 2010

FWF member since: 1 October 2008

Sources of information

- A: Database FWF
- B: Annual report and work plan
- C: Archived documents
- D: Josef Lingg, Chief Supply Chain Officer and member of the board
- E: Mick Farnworth, Purchasing Manager Hardware & responsible for code implementation
- F: Markus Jaeggi, Head of Purchasing and Planning
Frank Trommer, Buying Team Leader for Apparel
- G: Corina Zanetti, Communication and CSR responsible

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Fair Wear Foundation

Index

1. Introduction	3
2. Executive summary	3
3. Positive findings	4
4. Sourcing	5
5. Coherent system for monitoring and remediation	6
6. Complaints procedure	7
7. Improvement of labour conditions	8
8. Training and capacity building	9
9. Information management	9
10. Transparency	10
11. Management system evaluation and improvement	10
12. Basic requirements of FWF membership	10
13. Recommendations to FWF	10



1. Introduction

In September 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Mammut Sports Group AG. The MSA is a tool for FWF to verify that Mammut Sports Group AG implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the MSA has been the work plan for 2010. FWF tailored the MSA to the specifics of the management system of Mammut Sports Group AG in order to assess the key issues of interest. During the MSA, employees of Mammut Sports Group AG were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the MSA. 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 Mammut Sports Group AG 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 Mammut Sports Group AG that have been identified as key areas of interest for 2010. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that MSA reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all MSAs on www.fairwear.org. The annex with detailed findings will remain confidential. FWF encourages Mammut Sports Group AG to include information from the MSA report in its social report.

2. Executive Summary

Mammut Sports Group AG (Mammut) has been affiliated to FWF two years at the time of the management system audit (MSA). During the first two years of affiliation, Mammut has integrated its work on implementing the FWF Code of Labour Practices into its quality management system. This includes a system to keep track of every outstanding corrective action at supplier level. The company had covered approximately 73 % of the production in this monitoring system at the time of the MSA which is above the required 60%. However, the follow up of the working conditions at factories in low risk countries and the posting of the FWF Code of Labour Practices in the local language including the contact details to the FWF complaints handler needs to be improved.

Mammut performed three audits using Fair Wear auditors. No non-compliances were found in any of the factories regarding the labour standards employment is freely chosen, no discrimination in employment and no exploitation of child labour. There were few issues related to health and safety. At factory level, two FWF audits in China showed problems with excessive overtime and the payments of mandatory insurances, problems that are common in this industry in China. Both factories need to develop a system to follow up working conditions at their subcontractors. In Turkey one factory audit was done by a local FWF audit team to verify improvements at a supplier to Mammut. The audit showed that several improvements had been made. However, the worker representation system as well as contracts and documentation regarding annual and unpaid leave documents need further improvements.

Mammut has during the last year received complaints from workers at two of their suppliers in China. Both complaints concerned excessive overtime. At one supplier this had already been uncovered in an audit and was a part of Mammut's corrective action plan. At the other supplier Mammut is now in a dialogue with the Chinese supplier to see how working hours can be reduced. In both cases, Mammut responded quickly as soon as complaints came in.

3. Positive Findings

Conclusions

1. Mammut has a well structured management system that includes essential parts of the work with implementing the FWF Code of Labour Practices.
2. Mammut has cooperated with another FWF affiliate by doing a shared audit and cooperating in the follow up.
3. Mammut is having an active dialogue with suppliers on how production can be planned in a way that supports implementation of the code.
4. Mammut will extend their FWF affiliation to include to harnesses, back packs and possibly sleeping bags in 2011 and to footwear in 2012.

4. Sourcing

Conclusions

1. During the last year purchase volumes changed from EU towards Asia. This was mainly due to changes in sales of different product groups. The decreased orders at one European supplier for which Mammut is an important customer were discussed with that supplier beforehand. This made it possible to shift other orders to this supplier to help them through this dip in orders.
2. During the year Mammut has ended the relationship with two suppliers. In both cases Mammut could clearly explain the reasons behind ending cooperation. In neither case the decision was related to CSR-issues.
3. This is the first year that buyers are working with information on code compliance from several of the suppliers. According to buyers this has lead them to be more careful when placing orders at factories where, for example, remarks on excessive working hours were given in the audit report. If a supplier had remarks on overtime, Mammut would evaluate the situation and capacity of this supplier before increasing production.
4. Buyers and other personnel visiting the suppliers have CSR on the agenda of topics to cover in discussions with factory management. Discussions include topics related to CSR such as the problems at suppliers in China to maintain and motivate the workforce, problems in planning deriving from late fabric delivery and instable volumes. During these meetings Mammut tries to find the root causes to the issues in the corrective action plan, for example loss of workers, instable order volume, fabrics coming late, etc.
5. During the year the procedures for suppliers has been re-evaluated and developed further. When reporting about the performance of suppliers Mammut now also includes a section on the CSR situation at every supplier.
6. Mammut is now starting to gather more information on wage levels at suppliers. How the company will proceed with working on wage levels is subject for discussion during the autumn period. To keep roles separated the buying team leader for apparel will negotiate on prices and the responsible for code implementation will ask for wage info.

Recommendations

4. How to deal with excessive overtime will vary from supplier to supplier. One possible way to move forward on this point is that the FWF member company, in cooperation with their supplier, investigate the root causes of excessive overtime in a systematic way. To better understand the causes of overtime Mammut could ask the supplier to record incidents of overtime, their origin and severity. This can be done for a period representative for an entire business year for the factory. After this analysis, a practical step-by-step plan can be drafted by the factory to bring the amount of working hours down to legally allowed levels. The plan should explain how and if and to what extent the factory can control overtime hours, and to what extent Mammut (and other clients of the factory), could help remediate this problem.

5. Coherent System for Monitoring and Remediation

Conclusions

1. The percentage of the member's turnover that has been included in the monitoring system was 73% at the time of the MSA. This exceeds the FWF requirement of 60% after two years of affiliation. The aim of Mammut is to have included 93% in their monitoring system by the end of 2010. Mammut is using FWF audit teams and previously existing audits that are judged to be of sufficient quality to monitor suppliers. Three suppliers have been audited by FWF teams (17%) and another three have been audited by other organisations. On top of that 41% is sourced from low risk countries.
2. Mammut has established procedures for their FWF affiliation and their monitoring of suppliers in their quality management system. A report form for problems observed in the factory was developed for Mammut's staff that visits factories. However, this was not used sufficiently for it to be valuable. Now the CSR responsible instead gathers relevant information out of the reports of the factory visits and makes a summary of issues per supplier instead.
3. Mammut has a system to keep track of the status of the corrective action plans at all suppliers. All corrective actions are collected in a spreadsheet where it is possible see what corrective actions have been taken and which are still pending. Mammut marks a corrective action as done when they have received confirmation that something has been done to solve the issue. This can be by email and then often attached photographs are accepted as proof. Mammut expressed that some country specific issues risk remaining pending for an indefinite time since they are beyond Mammut's control. The example given was the social insurance system in China that is not fully adapted to the needs of migrant workers.
4. The responsible person for code implementation keeps track of all the corrective action plans and hands over information to buyers who are responsible for implementation at the level of the individual suppliers. During the start up phase of the system the responsible person for code implementation has been doing most of the follow up towards individual suppliers as well.
5. Mammut cooperated with another FWF affiliate in conducting an audit in China using the local FWF audit team. The two companies have continued to cooperate in the follow up at this supplier.
6. For suppliers in low risk counties, Mammut has asked the questionnaire to be filled in, they visit each supplier at least once per year, ask for the reports of any audits that have been done and ask to be updated on the progress. Corrective actions are not entered into Mammut's system to keep track of corrective actions.

Requirements

6. In low risk countries the FWF minimum requirements are that affiliates post the translated Code of Labour Practices, collect the questionnaire, visit all production locations and discuss country specific risks with management. Mammut should therefore make sure that suppliers in low risk countries are included in their monitoring system in the same way as suppliers in high risk countries even though factory audits are not required.



Recommendations

3. In the experience of FWF, several issues, ranging from blocked emergency exits to excessive overtime, have a tendency to come back after they have been corrected. Where Mammut judges this as being a risk, Mammut can add these to a checklist for future visits to the factory and other similar suppliers.

6. Complaints Procedure

Conclusions

1. The member company has a designated person to handle complaints.
2. The information sheet for workers in the local language with the contact details to the complaints handler has not been posted in all factories. Before the end of the year Mammut will post the information sheet at all suppliers.
3. During the last year, Mammut has received complaints from workers at two suppliers in China. The first complaint Mammut received a complaint from workers at one of their suppliers in China. The complaints concerned excessive overtime. This had recently been uncovered at an audit at this factory and was already part of Mammut's corrective action plan for this factory. The report on this complaint is published on the FWF site. Mammut has had a dialogue with the supplier to discuss how too high peaks in production can be avoided by for example better lead times. Mammut received a second complaint from workers regarding the overtime at another supplier in China. This had recently been uncovered at an audit at this factory and was already part of Mammut's corrective action plan for this factory.

Requirements

2. The translated information sheet for workers must be posted at all suppliers.

Recommendations

3. One possible way to move forward on this could be to identify any capacity issues at supplier level that contribute to the problem with excessive overtime through a systematic root cause analysis of the excessive overtime (as mentioned earlier). In some cases support to the supplier on production planning can help reduce the need for overtime.

7. Improvement of Labour Conditions

Conclusions

Based on results of audits carried out by FWF teams and complaints of workers, FWF has drawn up an overview of labour conditions in factories. The overview is annexed to this report. Mammut performed three audits using Fair Wear auditors. No non-compliances were found in any of the factories regarding the labour standards employment is freely chosen, no discrimination in employment and no exploitation of child labour. There were very few issues related to health and safety.

1. In Turkey one factory audit was done by a local FWF audit team to verify improvements at a supplier to Mammut. The FWF code was not posted in the factory. Workers reported that they did not know how the worker representation system functioned and only three out of four representatives in the committee were still working. Documents inspection showed annual and unpaid leave documents signed but with no dates filled in. The contracts of the employees stated that overtime is mandatory and workers were not given a copy of the contract. Since the previous audit was done, over time had been reduced, evacuation plans improved and health and safety trainings given. However, the non-compliances on annual leave documentation as well as issues on over time documentation show that there is a risk that the issue of over time might re-occur. The audit that Mammut was following up on did not contain information on the factories own capacity to handle CSR-issues and internal communication and grievance system.

2. In China factory audits were carried out by FWF teams at two of Mammut's suppliers. Both factories need to develop a system to follow up working conditions at their subcontractors. In both factories the FWF Code of Labour Practices was not posted. Both factories got remarks for excessive overtime. Both factories need to improve emergency lights and some emergency exits. In both factories not all workers receive all mandatory insurances, which is a common problem for migrant workers in China. At one of the factories the workers did not always receive the correct overtime compensation and did not understand how their wages were calculated. At the same factory there was no functioning worker representation system although the factory has over 50 employees. At this factory FWF suggested doing a workers training as part of the verification work. However, the factory is sceptical to receiving a training of workers, but is willing to have training for management.

Recommendations

1. When relying on audits commissioned by other buyers that does not contain information on some aspects of FWF affiliation such as communication and grievance procedures at suppliers, Mammut could complement this at their own visits to the factories.

2. The establishment of an independent workers committee is often an area for improvement in factories in China. FWF has done several such trainings over the years in China. In order to convince a supplier to participate in such training, FWF could put the factory in contact with other factories that have undergone similar trainings. FWF could also assist by letting one of its senior auditors in China visit the factory and explain what the factory training would entail and that it is no threat to the factory. If Mammut would want to start with management training, FWF could suggest local service

providers that could help with such trainings.

8. Training and capacity building

Conclusions

1. Staff of Mammut is informed about FWF membership and the implementation of the Code of Labour Practices in several different ways. This includes internal training sessions, a small exposition of the first Turkey audit, a presentation at the general directors meeting and the magazine for employees that include one page on CSR.
2. Manufacturers are informed through meetings with Mammut staff, by responding to the questionnaire and through a supplier newsletter send to all suppliers.

Recommendations

3. As mentioned under Improvements of labour conditions above, it can be of added value to hire a local service provider to support factories in the process of realising improvements. FWF recommends choosing this approach if the factory has demonstrated its commitment to this process. A specialised consultant can help the factory to adopt new practices that increase productivity, decrease overtime usage and improve the quality of social dialogue between workers and management. It is beneficial to share the cost of hiring the expert between Mammut, the factory concerned and other buyers interested in participating. FWF can make further suggestions and provide references of credible service providers on request.

9. Information management

Conclusions

1. There is a procedure at Mammut to keep the supplier register updated.
2. The supplier register submitted to FWF for 2010 did not contain updated information on addresses and other supplier data in the format provided by FWF.
3. It is the person responsible for code implementation that is responsible to gather information regarding compliance at factory level and to make sure that relevant staff within Mammut is informed.

Requirements

2. The supplier register submitted to FWF should be in the correct format and contain updated information on all suppliers.



10. Transparency

Conclusions

1. Information about the FWF membership is posted on the Mammut website. Apart from this Mammut informs about its affiliation to FWF in several ways, for example in flyers with product information.
2. Mammut also targets retailers with information, for example during the store meeting with representatives of Swiss retailers. Now the company is working on a leaflet for retailers on CSR and Mammut. Furthermore they have a retailer road show, participate in trade fairs and distribute information material on FWF.
3. The annual social report of the previous year has been posted on Mammut's website. The aim is that the annual social report should comply with the GRI standard.
4. The Fair Wear logo is printed onto the hangtags of climbing harness. It is planned to extend this to additional products in the future.

11. Management system evaluation and improvement

Conclusions

1. Mammut has quarterly management meetings where CSR and FWF issues and progress are discussed.
2. Mammut collects feedback from manufacturers on the process of code implementation.

12. Basic requirements of FWF membership

Conclusions

1. Work plan for the current year has been received in time.
2. Membership fee for 2010 has been paid.

13. Recommendations to FWF

Recommendations

1. FWF should make materials that affiliates can use for fairs and other occasions to inform about what affiliation to FWF means.
2. FWF should provide documentation on importance of some common issues found in the corrective action plans, for example something explaining the necessity of an ergonomic program and what it is. This can partly be done by making corrective actions more specific.
3. In corrective action plans it should be made clear which issues are country specific problems, i.e. problems depending on the situation in the country that the FWF affiliate



might not be able to influence compliance fully.

4. Mammut finds the information such as that from the stakeholder meeting in China very helpful and would want more of this kind of information, including during the stakeholder meetings in Switzerland.

5. FWF should provide an audit hierarchy giving the organisations judgement on what audits are acceptable to FWF ranging from good audits to those of poor quality. FWF should also look into if initiatives such as Sedex could be an option for FWF affiliates.

6. FWF shouldn't go to close with the Clean Clothes Campaign, for example in their campaign on living wage. Statements such as that from FLA on the Asia Floor Wage campaign could help position FWF more clearly as an independent organisation.

13.4 Improvement of labour conditions		
	Audit at shared supplier to Mammut and Odlo in China	Audit at supplier to Mammut in China
Sourcing practices (price, lead-time, quality requirements)	No findings	No findings
Monitoring system of FWF member company	FWF Code of Labour Practices is not posted in the factory. Factory says that it has so far not reported their on social compliance to Mammut.	FWF Code of Labour Practices is not posted in the factory. Management and workers are not aware of FWF Code of Labour Practices. Factory says that it has so far not reported their on social compliance to Mammut.
Management system factory to improve labour standards	Time and payroll records are not properly kept. Factory subcontracts its printing and laundry processes to other factories. No evidence is found that these subcontractors are informed of FWF Code of Labour Practices.	Factory subcontracts its printing process to other factory. No evidence is found that this subcontractor is informed of the FWF Code of Labour Practices.
Communication, consultation and grievance procedure	Factory has not informed workers on responsible for social compliance.	Factory has not informed workers on responsible for social compliance.
Employment is freely chosen	No findings	No findings
No discrimination in employment	No findings	No findings
No exploitation of child labour	No findings	No findings
Freedom of Association and the Right to Collective Bargaining	No independent union active in the factory. Workers are not aware of their right to organise	No findings
Payment of a Living Wage	Overtime is not compensated according to labour law. Workers are not informed on wage structure.	No findings
No excessive working hours	Workers work in excess of the legal limit of overtime and in a certain period workers didn't get a one day rest within 7 days.	Workers worked in excess of the legal limit of 36 hours per month up to 88 hours in May, August and September 2009.
Occupational health and safety	The factory needs to improve the emergency lights as well as some of the emergency exits. No ergonomic program is established in the factory.	The factory needs to improve emergency lights and some emergency exits. Some sewing machines are not equipped with needle guards. No ergonomic program is established in the factory.
Legally binding employment relationship	Not all workers are covered by occupational injury, medical, pension, unemployment and maternity insurances	Not all workers are covered by occupational injury, medical, pension, unemployment and maternity insurances
Special remarks		

13.4 Improvement of labour conditions		
	Turkey: Audit done by STR at factory	Turkey: Audit done by FWF audit team on behalf of FWF at the same factory in 2009
Sourcing practices (price, lead-time, quality requirements)	Not part of audit	No findings
Monitoring system of FWF member company	Not part of audit	FWF code of conduct not posted on the wall
Management system factory to improve labour standards	Not part of audit	No findings
Communication, consultation and grievance procedure	Not part of audit	There is a worker representative committee but regular meetings reports are not available. Only three out of four worker representatives in the worker representative committee are still working in the factory. Workers are not aware of how the health & safety committee works.
Employment is freely chosen	No findings	No findings
No discrimination in employment	No findings	No findings
No exploitation of child labour	No findings	No findings
Freedom of Association and the Right to Collective Bargaining	No findings	No findings
Payment of a Living Wage	No findings	No findings
No excessive working hours	Excessive overtime found.	There are signed annual leave and unpaid leave papers in the workers' files without dates. Over time payment is not included in the payslips and management could not show that over time had been paid properly.
Occupational health and safety	Health reports missing. Train employees on first aid. Place inspection tags on fire extinguishers. Improve evacuation plans. Some safety equipment missing from machines. Employ doctor and health and engineer.	No risk assessment has been done on H&S by the management. After completion of all working environment checks it has to be completed. Factory year-end health unit annual report is missing. Usage knowledge of the individual protective equipment is weak. H&S Committee exists and trainings are being held according to the regulation but knowledge sharing with all workers is not sufficient.
Legally binding employment relationship	No findings	Workers are not aware of their work contract and have not received a copy of the employment contract. Overtime is identified in the work contract as compulsory.
Special remarks		