



Fair Wear Foundation

Performance check Schöffel Sportbekleidung GmbH – February 2012

Brand performance check report
Schöffel Sportbekleidung GmbH
February 2012

FWF member since:

February 2011

Sources of information:

Interview with Peter Schöffel (CEO)

Interview with Torsten Müller (COO) and Stephanie Richter (Head of Planning Department)

Interview with Corinna Umbach (Director Marketing) and Ilka von Goerne (Communication)

Interview with Marlies Hartmann (Head of Quality) and Marco Hühn (CSR Coordinator)

Schöffel work plan 2011

Archived documents

Database FWF

Performance check carried out by:

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Introduction

In February 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Schöffel Sportbekleidung GmbH (hereafter: Schöffel). The performance check is a tool for FWF to verify that Schöffel 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 Schöffel in order to assess the key issues of interest. During the performance check, employees of Schöffel 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 Schöffel 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 Schöffel 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. FWF encourages Schöffel to include information from the performance check report in its social report.



Fair Wear Foundation

Performance check Schöffel Sportbekleidung GmbH – February 2012

Executive summary

Schöffel Sportbekleidung GmbH meets FWFs management system requirements for the first year of membership and goes beyond some of them.

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

The sourcing practices of Schöffel generally support effective implementation of the Code of Labour Practices. Schöffel maintains a business relation for more than 5 years with factories that accounted for 59% of its total purchasing volume. Less than 1% of the volume came from suppliers with who a relationship existed for less than a year. Schöffel has substantial leverage (at least 10% of factory production capacity) as a customer at suppliers that represent 50% of its purchasing volume. This enables the company to effectively request improvements in working conditions at these factories.

Whereas instances of excessive overtime were found in the three factories that had been visited by FWF audit teams in 2011, the order placement process of Schöffel in general offers sufficient space to avoid excessive overtime in factories. The audits carried out by FWF teams at three of Schöffel's factories in 2011 pointed out that wages were meeting local minimum standards but were below the amount constituting a living wage as estimated by local stakeholders.

The monitoring activities of Schöffel covered 66% of its purchasing volume in 2011. This means that Schöffel meets and goes beyond the required percentage based on the duration of FWF membership.



Positive findings

Conclusions

1. In 2011 Schöffel proactively approached other customers of its suppliers to arrange shared audits and shared follow-up of corrective action plans. In case of these suppliers Schöffel exchanged detailed information on the follow-up process with other companies, which set a positive example for other companies.
2. Schöffel has posted all translations of the CoLP with contact info of FWFs local complaints handlers on its corporate website.

1. Sourcing

Conclusions

1. The sourcing practices of Schöffel generally support effective implementation of the Code of Labour Practices. Schöffel 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. By way of its supplier manual Schöffel has a written policy which describes its purchasing practices.
2. According to its 2011 supplier register, Schöffel maintains a business relation for more than 5 years with factories that accounted for 59% of its total purchasing volume. Less than 1% of the volume came from suppliers with whom a relationship existed for less than a year. Schöffel has substantial leverage (at least 10 % of factory production capacity) as a customer at suppliers that represent 50% of its purchasing volume. This enables the company to effectively request improvements in working conditions at these factories.
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. All suppliers are requested to sign the CoLP and to complete the questionnaire on the FWF labour standards. Schöffel does have a system which ranks suppliers in their performance during the process of signing the CoLP, communicating about audits and follow up on the corrective action plan. This system however does not have a formal place in the organisation and does not clarify the weight of the level of working conditions vis-à-vis other criteria such as price, lead time, quality and service. Schöffel does not yet have a formal incentive system to reward suppliers for realised improvements of working conditions or a system to grade suppliers regarding performance on working conditions.
4. In 2011 one supplier of Schöffel stated that present lead times were not sufficient, which is currently being discussed between the factory and Schöffel. Whereas instances of excessive overtime were found in the three factories that had been visited by FWF audit teams in 2011, the order placement process of Schöffel in general offers sufficient space to avoid excessive overtime in factories. The company generally asks factories to reserve capacity 1½ - 2 years ahead on the basis of sales forecasts. Schöffel has set up a workflow for long term planning with suppliers. It shares forecasts of orders and has an

early warning system for changes in order quantities or specifications or fabric delays. Schöffel has a general lead time of 26 weeks. For specific orders the company sets up a detailed planning and asks factories to give feedback after checking against deadlines for pending orders and national holidays. In case production delays occur at suppliers of fabrics or trimmings the company generally takes responsibility in dealing with the consequences, for example by paying for air shipment.

5. Schöffel 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 and sales forecasts. The company does not make use of open costing. The audits carried out by FWF teams at three of Schöffel's suppliers in 2011 pointed out that wages were meeting local minimum standards but were below the amount constituting a living wage as estimated by local stakeholders.

Recommendations

5. FWF recommends Schöffel to investigate the root causes of excessive overtime in factories where Schöffel orders cover at least 25% of the production capacity. 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. The factories should record overtime correctly and voluntarily. Discussions could be held with workers and supervisors at all management levels on common causes of overtime. 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 the buyer can assist. If requested FWF is in the position to make further suggestions based on experience with similar factories. FWF could also provide references of credible service providers who could facilitate an assessment on working hours in the workplace.

6. FWF encourages Schöffel 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. The company could use the wage ladder tool developed by FWF to further work towards implementation of living wages in factories. FWF recommends to assess in cooperation with key suppliers which have demonstrated a reasonable amount of progress in implementation of a CAP how further steps towards payment of living wages for a regular working week can be made.



2. Coherent system for monitoring and remediation

Conclusions

1. The monitoring activities of Schöffel covered 66% of its purchasing volume in 2011. This means that Schöffel meets and goes beyond the required percentage based on the duration of FWF membership (which is 40% for the first year of membership). Between February 2011 and February 2012 three factory audits by FWF teams were carried out at Schöffel suppliers as part of the activities of the company to monitor working conditions. Two audits were done in China (May 2011) and one in Vietnam (October 2011), jointly covering 42% of the purchasing volume of Schöffel according to its 2010 register. Suppliers that are based in low risk countries (Italy, Hungary and Latvia) represent 4% of the purchasing volume. Schöffel has actively followed up on existing corrective action plans at two of its suppliers that it has in common with other FWF members, which jointly represent 20%.

2. Schöffel has designated staff to coordinate activities to monitor and improve working conditions at factories where clothing is made. Schöffel actively followed up on corrective action plans resulting from audits. This process has been systematically documented.

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

Recommendations

2. In 2012 Schöffel will continue its activities to monitor and improve working conditions. Since the process to follow up on existing and new audit reports will result in a growing amount of data, FWF recommends further systemizing the data collecting and storing process. Ideally a single database should be set up which enables the CSR coordinator to keep track of the status of corrective action plans and to compare factories on performance in realizing improvements.

3. Complaints procedure

Conclusions

1. Schöffel has a designated person to handle complaints. This person is well aware of FWFs complaints procedure and is able to follow up on complaints quickly. Schöffel has adopted a clear workflow for complaints handling which is specified in its supplier manual.
2. Schöffel 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. After sending the translated version in local languages, Schöffel staff visiting suppliers actively checks if the CoLP is posted, and takes pictures which are stored in a central database. During three factory audits in China and Vietnam by FWF teams it was confirmed that the CoLP was posted. To ensure that suppliers have access to the latest version of the translated CoLP, Schöffel posted all translations of the CoLP with contact info of FWFs local complaints handlers on its corporate website.
3. In 2011 FWF did not receive complaints from workers of factories producing for Schöffel.

4. Labour conditions and improvements

Conclusions

1. During the audits at the two factories in China no violations were found regarding forced labour, child labour, abuse or discrimination. Workers were not aware of their rights to organize and bargain collectively. Wages for regular working hours were meeting local minimum standards however below the amount constituting a living wage as estimated by local stakeholders that had been consulted by FWF. Instances of excessive overtime were found and workers were not guaranteed a weekly rest day. No major improvements were needed regarding fire safety and machine safety, with regard to ergonomics there was room for improvement. Those workers who chose to not participate in the social insurance scheme were provided commercial injury insurance.

2. During the audit in Vietnam no violations were found regarding forced labour, abuse or discrimination. Juvenile workers (between 16-18 years) were not provided with any special protections and annual medical examinations. Disciplinary practices in the factory were not in line with existing regulations. Minimum wage was paid in this factory but manual wage records were not properly kept. Instances of excessive overtime were found. Various improvements were needed regarding fire safety and machine safety. All workers had received a job contract according to legal requirements.

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

1-2. Schöffel could use the wage ladder tool developed by FWF to work towards implementation of living wages in factories. FWF recommends to assess in cooperation with key suppliers which have demonstrated a reasonable amount of progress in implementation of a CAP how further steps towards payment of living wages for a regular working week can be made.

5. Training and capacity building

Conclusions

1. Staff of Schöffel is kept informed about (steps that were taken to implement) FWF membership through internal meetings and presentations. Relevant staff of Schöffel that visit suppliers are sufficiently informed to follow up on corrective action plans during factory visits.
2. Schöffel has taken several steps to strengthen awareness and understanding among factories regarding social compliance and FWF membership. In addition to a clear description of expectations and requirements towards suppliers in the supplier manual, the CSR coordinator of Schöffel carried out a CSR training for factory management in 2011. A similar training is planned for 2012 in China. Schöffel has shared good practice sheets (obtained from ILO Better Work) with its suppliers.
3. Schöffel arranged that several of its suppliers participated in FWF seminars. The company generally asks factories to participate in training activities to strengthen awareness of labour legislation among workers and / or to promote social dialogue on the level of individual factories. So far no factories engaged in such activities.

Recommendations

2. With regard to strengthening the capacity of supplier management to implement the Code of Labour Practices, FWF regards hiring local experts to support factories in implementing corrective action plans as a best practice. FWF could make suggestions and provide references of credible service providers on request.
- 2-3. FWF recommends Schöffel to encourage its suppliers to participate in the training seminars that will be organised for factory managers and workers in India and China during 2012-2015. Schöffel will receive more information about these activities shortly.
3. In countries such as Vietnam and China Schöffel could consider facilitating factory trainings to strengthen social dialogue on factory level. As a part of such training workers would learn how to organise a free ballot to elect their representatives, and management and workers would be trained on how to communicate effectively with each other in case of conflict.

6. Information management

Conclusions

1. The supplier register of Schöffel for 2011 meets the requirements of FWF. It lists all factories that manufacture clothing for Schöffel, including subcontractors. For each supplier it specifies production location data, FOB value, dates of audits and follow up visits and important other customers of suppliers.
2. Schöffel has a functioning workflow to keep its supplier register up to date. The company maintains its supplier register on the basis of the annual self-assessment sheets that are collected from factories. In addition the external quality control bureau may inform Schöffel about new production sites of suppliers, which are then included in the register.
3. Schöffel staff visiting suppliers are regularly asked by the CSR coordinator to report on specific issues that are part of the corrective action plan. The CSR coordinator collects this information and updates the status of the corrective action plan.

7. Transparency

Conclusions

1. Schöffel sufficiently informs the public about its FWF membership. The company currently informs consumers and other external parties about its approach to improve working conditions through its corporate website. This is done in correct wording and with references to FWFs website for further information.
2. Retailers are informed about FWF membership in the Schöffel workbook and at retailer fairs.
3. Schöffel does not publish corrective action plans resulting from audits on its website.
4. As Schöffel joined FWF in February 2011 the company will submit an annual social report on 2011 before 1 April 2012, as required by FWF.
5. The company is committed to work towards implementation of FWFs membership requirements for on product communication. Until these requirements are met Schöffel will concentrate on implementation of membership.

Recommendations

1. FWF recommends publishing the report of the performance check on the corporate website, to give customers and other external parties insight in how Schöffel implements FWF membership.
2. FWF could provide input for a Q&A document for sales staff and retailers to further strengthen awareness of FWF membership.
3. FWF regards the publication of corrective action plans and realized improvements as a best practice. This could be of interest in the future for Schöffel.

8. Management system evaluation and improvement

Conclusions

1. Schöffel evaluates steps taken in context of FWF membership as part of regular internal discussions. Performance on monitoring and improving labour standards in the supply chain is measured and evaluated during progress report meetings that involve the CSR coordinator and top management. Schöffel is working towards implementation of a balanced scorecard, for which the report of the performance check will be used as input. Schöffel does collect feedback from factories as part of ongoing discussions, but has no formal way of evaluating implementation of the Code of Labour practices.

Recommendations

1. FWF recommends evaluating once a year to what extent the approach to improve working conditions is effective. The evaluation could for example assess which improvements were and were not successfully implemented in factories, whether the chosen approach has been cost efficient, if FWF membership was successfully communicated to external parties and whether purchasing practices have been supportive for implementation of the Code of Labour Practices. FWF regards collecting feedback from factories as input for this annual evaluation as a best practice. Possibly this could be of added value for the balanced scorecard that will be developed.

9. Basic requirements of FWF membership

Conclusions

1. Schöffel handed in a work plan for 2011 that was approved by FWF.
2. Schöffel paid its membership fee for 2011.

10. Recommendations to FWF

Recommendations

1. Schöffel would welcome FWF to investigate if on-product communication can be made possible in other ways, for example by allowing members to include a text on FWF membership in the fabric of a garment.

Improvement of labour conditions: summary of most important findings	Two factories in China audited in June 2011
Sourcing practices of Schoeffel	According to supplier the order prices and delivery times of Schoeffel were not always sufficient to implement the Code of Labour Practices, which is currently being discussed between the factory and Schöffel.
Monitoring system of Schoeffel	No violations observed. This audit was the first audit on behalf of Schöffel to monitor working conditions in the factory.
Management system of factory to improve labour standards	No violation found.
Communication and consultation	Subcontractors had not committed to the Code Labour Practices.
No forced Labour	No violation found.
No discrimination in employment	No violation found.
No exploitation of child labour	No violation found.
Freedom of association and the right to collective bargaining	Workers were not aware of their rights to organize and bargain collectively.
Payment of a living wage	In one factory piece rate workers were insufficiently paid for overtime hours. Wages for a regular working week are below living wage estimated by local stakeholders consulted by FWF.
No excessive working hours	Instances of excessive overtime were found and workers were not guaranteed a weekly rest day.
Safe and healthy working environment	No major improvements were needed regarding fire safety and machine safety, with regard to ergonomics there was room for improvement.
Legally binding employment relationship	No violation found.

Improvement of labour conditions: summary of most important findings	Factory in Vietnam audited in October 2011
Sourcing practices of Schoeffel	No violation found.
Monitoring system of Schoeffel	Workers were not informed of the outcome of previous social audit and were not aware of the improvement of their working conditions.
Management system of factory to improve labour standards	No violation found.
Communication and consultation	Subcontractors had not committed to the Code 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.