



Management system audit report

J.Lindeberg

3 May, 2011

FWF member since: 24 March 2011

Sources of information

A: Database FWF

B: Annual report and work plan

C: Archived documents

D: Jonas Merits (General director)

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Introduction

In May 2011 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at J.Lindeberg. The MSA is a tool for FWF to verify that J.Lindeberg 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 2011. FWF tailored the MSA to the specifics of the management system of J.Lindeberg in order to assess the key issues of interest. During the MSA, employees of J.Lindeberg 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 J.Lindeberg 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 J.Lindeberg that have been identified as key areas of interest for 2010 and 2011. 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. FWF encourages J.Lindeberg to include information from the MSA report in its social report.



Executive summary

At the time of the management system audit at J.Lindeberg, the company had been affiliated to FWF for a year. The company's monitoring system relies on internal audits conducted by their own staff and agents, audits done by FWF audit teams and relying on audits done by other customers or third parties. During the first year of membership the auditing focused on Turkey, and now, during the second year, the company is focusing on auditing Chinese suppliers. J.Lindeberg is now in the process of implementing FWFs management system requirements and is further developing routines and information management regarding audits.

The results of the audits done in Turkey by J.Lindeberg showed that the company needs a better overview of at what subcontractors the production is done. The audits done by J.Lideberg were well structured and the report cover all relevant areas. Follow up has so far been done by agents and the factories reporting to J.Lindeberg on the progress made. There is however a difference in quality between the reports on how many sources of information are consulted, number of workers interviewed, etc. J.Lindeberg should try to stick to their audit methodology to make sure quality is consistent. Also, a corrective action plan was not formulated after each audit. The company should also see what improvements can be made to make step wise improvements in the methodology to come closer to the quality requirement in the FWF Manual for Affiliates.

At the time of the MSA, J.Lindeberg had covered 34% of their supply chain in their monitoring system. However, the company had at that time scheduled audits with FWF audit teams in China to cover a further 17% within the coming month. The required percentage after one year's affiliation is 40%, and by the end of year two, J.Lindeberg should have covered at least 60%.

J.Lindeberg has followed up the audits done in Turkey during 2010 through their agents who have reported to them on progress. There has previously been no systematic way of following up audits done. As J.Lindeberg has over 70 suppliers, it will be necessary to develop an information management system to keep track of improvements at factories as more suppliers are audited and several rounds of follow up done.

Positive findings

Conclusions

1. J.Lindeberg uses the full range of options to monitor their suppliers and adjust the method used to the risk level of the suppliers depending on country.
2. J.Lindeberg has had several trainings for their staff to keep them updated on what the company is doing regarding its FWF affiliation.
3. J.Lindeberg is open to, and actively cooperating with other companies in monitoring and improving working conditions at supplier level.

1. Sourcing

Conclusions

1. According to the supplier register submitted to FWF, J.Lindeberg has 72 suppliers based in: China, Italy, Turkey, Croatia, Portugal, Sweden, Estonia, Taiwan, Romania, Thailand, Egypt, Japan, Latvia, Lithuania and the UK. Most of the sourcing is done through J.Lindeberg's local agents in China, Turkey and Italy. 20% of total FOB is sourced from suppliers in countries defined as low risk according to FWF. J.Lindeberg has an ambition to have long relationships with their suppliers. This is reflected by the fact that in 2010, 58 % of total FOB came from suppliers where the relationship is longer than 5 years (first year of production 2005 or earlier). The same year, 11 % of FOB came from suppliers where the relationship started in 2010.
2. At initial contact, or latest at placement of sale sample order, suppliers are obliged to fill in Part 1 of J.Lindeberg's Supplier's Manual which contains the FWF questionnaire and the code of labour practices. J.Lindeberg also at this stage asks the factories for audit reports made by other companies and organisations.
3. There is no formal sourcing policy or routine on paper that clearly mentions the position of Code of Labour Practices in the decision making process. There is however a system for evaluating and grading suppliers. Evaluations of suppliers are done two times per year. Social compliance is a category/criteria in this system, but it is not clearly defined and what weight it is given in the grading system. The system has not yet been developed to a stage where it gives clear incentives or rewards to suppliers who do well regarding social compliance.
4. Standard for production is between 4 and 12 weeks. J.Lindeberg has not made a systematic evaluation if delivery times and pricing contribute to excessive overtime and correct wages not being paid in the cases where this has been found. J.Lindeberg has over the last year started their production cycle earlier for each season in order to have more time in each stage of the production cycle for the collection. The ambition is that this will also give more time to the suppliers to produce the goods. When establishing prices the wage component of the price is not separately discussed.

Recommendations

1. FWF encourages committing to a limited number of strategic suppliers as much as the production needs allow for this. Although this can be difficult with such a diverse product range as J.Lindeberg, the company could for example limit the number of subcontractors that suppliers can use for sewing.
3. A written sourcing policy that takes code implementation into account can give buyers a clearer incentive and mandate to take social aspects into account when placing orders at suppliers. This can be combined with developing the system for supplier rating to give code implementation clearly defined weight in the combined grading.
4. FWF recommends investigating the root causes of overtime in cooperation with factories. Incidents of overtime, their origin and severity should be recorded to support this analysis. It is recommended that a period be defined which is representative for an entire business year for the factory to carry out this analysis. After this analysis, a 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 the buyer could support remediation.

4. It is recommended to assess how further steps forward towards payment of living wages for a regular working week can be made. This assessment should preferably be done together with the supplier and if possible other important buyers. In this discussion the FWF wage ladder tool can be used. The tool will be available to member companies during summer 2011. FWF can assist in showing ways that this can be used.

2. Coherent system for monitoring and remediation

Conclusions

1. 34% of J.Lindeberg's production is covered in their monitoring system. 4% has been covered by J.Lindeberg's own audit team in Turkey, 10% by FWF audit teams and 20% of suppliers are covered through the low risk policy. After being a member for one year, 40% of the production should be covered in the monitoring system. At the time of the MSA, J.Lindeberg had scheduled audits with FWF to cover a further 17% of their supply chain within the coming month. The exact amount of production at the audited suppliers that is actually made at subcontractors is not clearly provided. During J.Lindeberg's own audits it also came to the attention of J.Lindeberg that not all production sites were known. Due to this, FWF can not exactly verify the percentage of audited factories.

2. J.Lindeberg's monitoring system includes using FWF's local audit teams, doing own audits and looking at audits done by other organisations and customers at their supplier. Which approach is used depends on the difficulty of doing a reliable audit and what kind of assistance can be provided by for example the local agent.

4. J.Lindeberg's own audits have so far only been done in Turkey. There they have been done using a team consisting of two persons from J.Lindeberg's production team and the local agent. Information has been gathered by documents inspection, visual inspection as well as management and worker interviews. The team uses the FWF audit manual and report format as guidance and templates for the audit. J.Lindeberg's audits cover the elements of the FWF Code of Labour Practices and have an extensive list of points that is either checked or discussed with management at the production site. The reports are well structured and cover all the areas of the FWF Code of Labour Practices as well as looking at relation between J.Lindeberg and the factory and the factories own system to improve working conditions. Four audits were done by the J.Lindeberg team in Turkey during 2010. Two of these audits resulted in corrective action plans. Workers were not interviewed at every audit. The audit reports lack information on wage levels in the factories. The monitoring J.Lindeberg's own audit team does not meet all the formal quality requirements outlined in the FWF manual for affiliates. However, FWF has not yet had the possibility to independently verify the quality of J.Lindeberg's audits at factory level.

5. The follow up of audits are done by the Sustainability Coordinator together with the agents. The Sustainability Coordinator contact the factory to get updates on progress on the corrective action plan. Agents visiting the suppliers can also check points in the corrective action plan and report back to J.Lindeberg. Not all point in the corrective action plans marked "to be discussed" have had a concrete timeline set through dialogue between J.Lindeberg and the factory. For an audit done in China before the affiliation to FWF, improvements done have not been recorded to keep track of progress at factory level.



6. Existing audit reports have been collected from suppliers in several cases. These have however not been systematically followed up on and integrated in J.Lindeberg's system to follow up on corrective action plans.

7. J.Lindeberg cooperates with other customers of manufacturers regarding monitoring and the execution of Corrective Action Plans at one supplier in Turkey.

Requirements

1. J.Lindeberg must ensure that its FWF membership is made known to subcontractors of its first tier suppliers doing sewing and that these are included in the supplier register. When auditing, all suppliers, including subcontractors doing sewing, should be covered.

4. J.Lindeberg should assure that all audits are followed by corrective action plans with defined time lines that are shared with the factories. To assure audit quality consistency, the audits done by J.Lindeberg should follow the same procedure regarding depth and sources covered.

4. J.Lindeberg should evaluate how their audits can be made to meet more of the requirements on audit quality as outlined in the manual for affiliates in a stepwise manner. FWF can provide guidance for this if needed.

5. All points marked "To be discussed" in the corrective action plans should be followed up with the supplier to make sure that a timeline is set.

5. All corrective action plans with outstanding points for improvements should be followed up in a systematic way.

Recommendations

2. FWF recommends using the audit quality checklist that has been issued by FWF to assess quality of existing audit reports. The checklist can be freely downloaded from the FWF website.

4. FWF can together with J.Lindeberg go through the auditing methodology used in detail to suggest areas of improvement to make step wise increases of audit quality.

5. For follow up of corrective action plans, it can be of help to develop a standard approach to brief staff in preparation of factory visits. Part of this briefing could be a discussion of the most important improvement points which should be discussed with factory top management during a visit. Outcomes from factory visit should be recorded and shared with relevant staff within J.Lindeberg.

3. Complaints procedure

Conclusions

1. J.Lindeberg has a designated person to handle complaints of workers
2. J.Lindeberg has a procedure to ensure suppliers receive the Code of Labour Practices with complaints handlers contact details in the factory. J.Lindeberg asks suppliers for a written confirmation that the information sheet is posted at the factory. J.Lindeberg is also developing a check list to be used at factory visits that will include checking that the information sheet is posted.

Recommendations

2. The system of asking for confirmation that the information sheet is posted can be strengthened by asking that a photo of the posted code is sent. Also staff visiting the factory can take a photo of the posted code and provide to the Sustainability Coordinator.

4. Labour conditions and improvements

Conclusions

Based on results of factory 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.

1. Turkey

One audit was made by FWF's local audit team. There were no signs of child labour or forced labour. The factory received remarks on overtime as well as payment of wages. Generally documentation needed to be improved, for example personal files of the workers, working permit of factory, overtime records and payment records. There were several minor findings regarding occupational health and safety at the production site.

Recommendations

1. FWF recommends investigating to what extent it is 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 make improvements. According to FWFs experience with other factories of similar size, 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. FWF can make suggestions and provide references of credible service providers on request.

1. J.Lindeberg should take an active role in discussing living wages with their suppliers. The FWF wage ladder can be used as a tool to implement living wages. The wage ladder is included in FWF's audit reports. It demonstrates the gaps between workers'



wages at a factory and living wages demanded by major local stakeholders. J.Lindeberg can use the wage ladder to document, monitor, negotiate and evaluate improvements in wages at its suppliers.

5. Training and capacity building

Conclusions

1. A training has been held for all staff at the head office. The different departments had separate workshops after a general introduction to discuss specific issues regarding the FWF membership that might arise in their area of work. At a retail meeting shop managers were also informed about FWF and given guidance on how to communicate FWF to the customers. Two members of staff also participated in FWF's two day training on auditing at a garment factory in Italy.
2. Agents have been informed about the affiliation to FWF by the production director. In Turkey, the agent has been involved in the auditing done by J.Lindeberg and the follow up of the corrective action plan.
3. Manufacturers have been informed through answering the questionnaire, signing the code as well as emails and meetings. J.Lindeberg provides suppliers with the information sheet for workers in the local language and informs them that they have to inform their employees about the code.

6. Information management

Conclusions

1. The supplier register is updated by the Sustainability Coordinator. In the supplier register submitted do FWF for 2010 and 2011, not all sewing subcontractors were included.
2. The system to store information regarding FWF and the implementation of the FWF Code of Labour Practices is a shared folder system on the company's server. Improvements of in corrective action plans are kept track of by making notes in files with information on all suppliers. Information about the status of suppliers regarding the code is also shared at the weekly production meetings.
3. Information on the progress of corrective action plans is kept in files where the status is written in the printed corrective action plans.

Requirements

1. The supplier register should contain all suppliers and sewing subcontractors.

Recommendations

1. It could be beneficial to formalise the responsibilities of staff visiting production locations to provide accurate information regarding factory contact information, addresses and subcontractors.
2. As number the number of audits increases as well as follow up visits and updates from suppliers, a more coherent system to keep track of improvements is needed. This should preferably be a system which is easy to access for all relevant staff at J.Lindeberg.

7. Transparency

Conclusions

1. J.Lindeberg informs the public about its FWF membership through website and a link is also provided to FWF's website. The annual social report of the previous year has been received by FWF. It has not yet been placed on the website of J.Lindeberg

Requirements

1. The annual social report should be place on the website of J.Lindeberg.

8. Management system evaluation and improvement

Conclusions

1. J.Lindeberg evaluates to what extent goals related to its FWF membership are achieved two times a year. The staff involved in the work with implementing the Code of Labour Practices and the CEO is part of this evaluation.

Recommendations

1. Evaluating to what extent the chosen approach to improve working conditions is effective is an important part of being able to reach the goals as a FWF member and it is therefore positive that J.Lindeberg continuously evaluates the efforts. This evaluation needs to assess which improvements were successfully implemented in factories (and which were not), if communication with factories on this issue goes smooth, whether the chosen approach is cost efficient and what feedback has been received from suppliers on both code implementation and purchasing practices of J.Lindeberg.



9. Basic requirements of FWF membership

Conclusions

1. Work plan for the current year has been received by FWF.
2. The membership fee for the previous year has been paid.

10. Recommendations to FWF

Recommendations

1. FWF should make the process of sharing audit results between member companies easier. This will also facilitate more cooperation between members.
2. FWF should provide more formats and systems for member companies to use in their work with implementing the code.
3. The supplier list in excel format that members have to fill in is not easy to work with. FWF should develop a more user friendly format for this.

Annex. Improvement of labour conditions: summary of most important findings

Factory: Turkey	
Source: FWF audit October 2010	
Workers interviews	Eight workers were interviewed offsite before the audit, and 19 workers during the factory inspection.
Documentation	Working license and permit missing.
Sourcing practices (price, lead-time, quality requirements)	Management states that there is a high price pressure from buyers in general.
Monitoring system of FWF member company	The factory had not been provided with the information sheet for workers containing the contact details to the complaints handler.
Management system factory to improve labour standards	There is no policy or routine to monitor and improve working conditions in the factory.
Communication, consultation and grievance procedure	The Code of Conduct is not communicated to the workers and there is no grievance or suggestion system in the facility. There are no elected worker representative.
Employment is freely chosen	No findings
No discrimination in employment	No findings
No exploitation of child labour	Juvenile workers are working overtime. There is no recruitment system for the workers.
Freedom of Association and the Right to Collective Bargaining	Workers are generally unaware of their rights at work and specifically about the right to organise and bargain collectively.
Payment of a Living Wage	Overtime pay is incorrectly calculated. Payslips not available. Deductions are made for plastic cups and uniforms.
No excessive working hours	Actual records of overtime is not provided by management. Audit concluded excessive overtime.
Occupational health and safety	Health and safety routines are insufficient. Remarks on fire safety, handling of chemicals and missing safety equipment. Steam boiler, compressor, generator, water pressure tank and heater need to be regularly inspected and checked.
Legally binding employment relationship	Correct amounts are not paid for social security. Not all workers have contract, personal files are incomplete and workers need to be informed about the terms of employment.