



Fair Wear Foundation

Performance check Vaude Sport GmbH & Co. KG - February 2012

**Brand performance check report**

**Vaude Sport GmbH & Co. KG**

**9 February, 2012**

***FWF member since:***

15 November 2010

***Sources of information:***

Interview with Antje von Dewitz (CEO)

Interview with Jan Lorch (General Manager)

Interview with Susanne Medesi (Head of production management & CSR)

Interview with Hilke Patzwall (CSR manager external communication)

Interview with Thomas König (Teamleader purchasing department)

Vaude work plan 2011

Archived documents

Database FWF

Performance check carried out by:

Ivo Spauwen



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## Introduction

In February 2012 Fair Wear Foundation (FWF) conducted a brand performance check at Vaude Sport GmbH & Co. KG (hereafter: Vaude). The performance check is a tool for FWF to verify that Vaude 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 Vaude in order to assess the key issues of interest. During the performance check, employees of Vaude 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 Vaude 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 Vaude that have been identified as key areas of interest for 2011. 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](http://www.fairwear.org). FWF encourages Vaude to include information from the performance check report in its social report.



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## Executive summary

Vaude meets most of FWFs management system requirements.

The sourcing practices of Vaude generally support effective implementation of the Code of Labour Practices. Vaude maintains a business relation for more than 5 years with factories that accounted for 67% of its total purchasing volume. Vaude has substantial leverage (at least 10% of factory production capacity) as a customer at suppliers that represent 86% of its purchasing volume. This enables the company to effectively request improvements in working conditions at these factories.

In general the order placement process of Vaude offers sufficient space to avoid excessive overtime in factories and to ensure payment of workers according to local minimum standards. Nonetheless cases of insufficient payment and excessive overtime were found during factory audits. FWF has made recommendations to Vaude to work towards improving these cases.

In 2011 the monitoring activities of Vaude covered the key backpack suppliers of the company, which jointly represent 35% of its purchasing volume in 2011. Vaude almost but not fully meets the required percentage based on the duration of FWF membership (40% in the first year of membership).

In 2011 Vaude invested in learning processes to further the implementation of FWF membership. Following an audit at its backpack factory in China, Vaude commissioned a local expert to support the factory in the process to implement the corrective action plan that resulted from an audit. Within a short timeframe this led to substantial improvements. In 2011 Vaude strengthened awareness among product management and communication staff by hosting an in-house training day by FWF.

In 2012 FWF will carry out the first audit to verify improvements at the factory of Vaude in Vietnam.



## Positive findings

### *Conclusions*

1. In 2011 Vaude invested in learning processes to further the implementation of FWF membership. Following an audit at its backpack factory in China, Vaude commissioned a local expert to support the factory in implementing the corrective action plan. Besides this the company strengthened awareness among product management and communication staff by hosting an in-house training day by FWF.
2. In 2011 Vaude staff actively engaged in public discussion platforms such as the Kirchentag in Dresden to explain how it takes its responsibility for working conditions in factories.

## 1. Sourcing

### *Conclusions*

1. The sourcing practices of Vaude generally support effective implementation of the Code of Labour Practices. Vaude 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. Vaude has no written policy which describes its purchasing practices.
2. According to its 2010-2011 supplier register, Vaude maintains a business relation for more than 5 years with factories that accounted for 67% of its total purchasing volume. Approximately 1% of the volume came from suppliers with whom a relationship existed for less than a year. Two factories that jointly representing 35% of Vaude's total purchasing volume are producing exclusively for the company. Vaude has substantial leverage (at least 10 % of factory production capacity) as a customer at suppliers that represent 86% 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. If prospect suppliers can submit an audit report from a credible initiative that indicates a satisfactory level of working conditions, this is regarded as a positive argument in favour of order placing at the factory. Discussions with suppliers taking place in this context are summarized in minutes and stored on the central server.
4. Vaude does not have a formal rating system that clarifies the weight of the level of working conditions vis-à-vis other criteria such as price, lead time, quality and service. Vaude does not 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.
5. During two factory audits in China and Vietnam (2011) it was found that excessive overtime recently took place in these factories. In general the order placement process of Vaude offers sufficient space to avoid excessive overtime in factories. Vaude has a standard lead time of 6 to 7 months per season. Through ongoing communication with suppliers the company is generally able to keep track of production schedules and able

to detect potential delay. If too many orders at a single supplier have the same shipment date, Vaude and the supplier discuss how this can be solved. In case production delays occur at suppliers of fabrics or trimmings or fabrics Vaude generally takes responsibility in dealing with the consequences. Possible solutions for Vaude are postponing the shipping date or paying for air shipment. In case excessive overtime is found in factories this is generally reported by Vaude's quality control staff. According to the company excessive overtime is a general indicator for poor quality.

6. During the factory audit in China (2011) FWF audit teams found that in the case of a workers that were paid on a piece wage were not guaranteed the minimum wage. During the process of implementing the corrective action plan, the amount decreased substantially, but a few workers were still paid below the legal minimum. Vaude takes the general cost of labour into account in order pricing on the basis of past experience and benchmarking between suppliers. FOB prices are agreed per season but may slightly vary on the basis of order size. In exceptional cases the company renegotiates order prices with suppliers, for example in case of unexpected minimum wage increases as was the case in Vietnam in 2011. In such cases Vaude prioritises the long term relationship with the supplier. When it is not possible to get a certain style produced at the FOB target price, the company sometimes choses to not produce that particular style. In other cases product specifications may be adapted to meet the FOB target price.

7. As part of the work plan that Vaude drew up in 2010 before joining FWF as a member company, the company adopted an exit strategy regarding production Burma as was requested by FWF. Vaude is presently phasing out production in Burma in a gradual manner, which means that order volumes for subsequent collections will decrease. The exit strategy states that by the end of 2012 production in Burma will be terminated. FWF verified that Vaude is implementing its exit strategy.

### ***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.

5. FWF recommends Vaude to investigate the root causes of excessive overtime at those manufacturers which are producing on an exclusive basis for the company. 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 Vaude 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 forward towards payment of living wages for a regular working week can be made.

## 2. Coherent system for monitoring and remediation

### *Conclusions*

1. In 2011 the monitoring activities of Vaude covered 35% of its purchasing volume in 2011. This means that Vaude almost but not fully meets the required percentage based on the duration of FWF membership (which is 40% for the first year of membership). In 2011 two factory audits by FWF teams were carried out at Vaude suppliers as part of the activities of the company to monitor working conditions. One audit was done in China (April 2011) and one in Vietnam (October 2011). These are the two most important manufacturers of backpacks for the company, each producing exclusively for Vaude.
2. The company actively followed up on corrective action plans resulting from the audit in China. This process has been systematically documented. The audit in Vietnam had not yet been followed up on at the time of the performance check.
3. Vaude has designated staff to coordinate activities to monitor and improve working conditions. The company has functioning workflows to obtain general insight in the level of working conditions in factories before audits are carried out. Most importantly Vaude's own QCs report to the company on issues such as occupational health and safety, working hours and wage payments. These issues are included in the evaluations that Vaude makes of its suppliers and if necessary these are discussed with suppliers.

### *Recommendations*

1. FWF recommends cooperating with other customers of suppliers. An increasing amount of factories produces for multiple FWF member companies. If efforts to follow up on CAPs of existing audit reports are coordinated greater leverage at suppliers can be attained. This allows for cost efficiencies for FWF members and also reduces the amount of energy that factories need to devote to report to their customers on CAP progress. In case audits are carried out by FWF teams on behalf of two or more FWF members, it helps to agree on a number of issues that will be prioritised. Next to this it is useful to coordinate when representatives of involved member companies visit the factory to discuss follow up of the CAP. After each factory visit a status update on the CAP could be shared among all of the involved members.

2. In 2012 Vaude 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 would 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.

In addition, as the company envisages that product managers should be primarily responsible for the process to follow up on corrective action plans with suppliers, it is of



added value to adopt guidelines for product managers and to monitor if these are followed in practice. Below a few concrete suggestions:

- Before each travel period of product managers a briefing with the coordinator of the concerned business unit could take place to ensure that the improvement points in CAPs are understood and will be discussed with suppliers. Before the factory visit takes place the CAP should have been sent to the factory. It is of added value to send a letter / email stating that the supplier is required to cooperate in the process of jointly following up on the corrective active plan.
- Within a month after the latest factory visit, a debriefing must have taken place with the coordinator regarding the discussed points from the CAP, agreed improvements and timelines. Key information regarding follow up of the CAP should be filed on the corporate server.
- At least each three months, a product manager contacts factories at least once through email / phone to discuss progress on the CAP. It is of added value to let product managers ask factories for send soft copies of documentation or photos as a means to indicate that improvements have been realised.
- Possibly the above task could be quantified or be specified in bonus system with a SMART framework.

### 3. Complaints procedure

#### **Conclusions**

1. Vaude 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.
2. Vaude 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 language, Vaude's QC staff visiting suppliers actively checks if the CoLP is posted, and takes pictures which are stored in a central database. During a factory audit in China it was found that the CoLP was not posted, hereafter Vaude successfully requested the factory to post it. During the factory audit in Vietnam it was confirmed that the CoLP was posted.
3. In 2011 FWF did received one complaint from workers of factories producing for Vaude in Vietnam. [Link to the report.](#)

#### **Recommendations**

2. To ascertain that the CoLP remains posted in factories QC and product management staff visiting suppliers could actively check if the CoLP is posted. Ideally a picture is taken each time and stored on the central server.



## 4. Labour conditions and improvements

### *Conclusions*

1. During the audit at the supplier in China (2011) it was found that the factory in general lacked policies on basic labour standards. Two workers under the legal minimum age were found to be employed at the time of the audit. Juvenile workers (between 16-18 years) were not provided with any special protections and annual medical examinations. The factory had not established written policy on freedom of association and grievance procedures had insufficiently been communicated to workers. Minimum wage was not paid to all workers, in some cases there was use of monetary fines and overtime was not always paid in accordance with legal standards. Various improvements were needed regarding fire safety and machine safety. Workers were not always given one copy of the signed contracts.

2. In response to the above Vaude commissioned a local expert to support the factory in the process to implement the corrective action plan that resulted from the audit. As a part of the training process, awareness of labour legislation on management level was strengthened, a series of written policies was established regarding several of FWFs labour standards (no child labour, no forced labour, prohibition of harassment and abuse, non-discrimination and freedom of association). The factory improved its system for overtime payments to ensure that Chinese legislation was complied with. Contracts were revised to ensure that the internship wages should be no less than the local legal minimum wage. Accident and injury recording mechanisms were established. Fire alarms had been installed in the dormitory buildings. The practice of using monetary fines as disciplinary measures was abolished.

3. The audit in Vietnam (2011) did not demonstrate violations regarding forced labour, child labour or abuse. Whereas the factory employs a high number of female workers it did not have a child care center nor did it offer alternative means to support female employees with children. The disciplinary practices in the factory were not in line with Vietnamese regulations. Inconsistencies were found between the payroll and time records, pointing out that some workers had worked unregistered overtime. The audit team did find excessive overtime. Various improvements were needed regarding fire safety and machine safety.

*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.*

### *Requirements*

1-2. Vaude is required to prioritize follow up on the issues that relate to payment of minimum wages, excessive overtime and fire and machine safety.

**Recommendations**

3. FWF recommends commissioning a local expert in Vietnam to support the factory in implementing the corrective action plan.

## 5. Training and capacity building

**Conclusions**

1. Vaude staff is kept informed about the requirements that result from FWF membership through internal meetings and presentations. In 2011 Vaude strengthened awareness among product management and communication staff by hosting an in-house training day by FWF.
2. Vaude commissioned a local expert to support the factory in the process to implement the corrective action plan that resulted from the audit that was carried out at its own factory in China. The results from the training process are mentioned under section 4. (Labour conditions and improvements).
3. In 2012 Vaude plans to train its quality control staff in Vietnam and China on following up corrective action plans with factories that they visit on a regular basis.
4. In 2011 several suppliers of Vaude participated in FWFs supplier seminars in China.
5. Vaude has not yet engaged factories in projects to promote social dialogue.

**Recommendations**

5. It is recommended to engage manufacturers in training projects that aim at strengthening social dialogue and conflict resolution. On request FWF could make suggestions on local parties that could offer such trainings. As of 2012 FWF will offer its members the possibility to participate in workshops for factory management and workers to strengthen their understanding of local labour legislation and FWFs complaints procedure.

## 6. Information management

**Conclusions**

1. The supplier register of Vaude for 2011 meets the requirements of FWF. It lists all factories that manufacture sewn products, 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. Vaude has a functioning workflow to keep its supplier register up to date. Vaude's own quality control staff keeps the head of production management & CSR about



supplier production sites of suppliers.

3. Staff of Vaude that visits suppliers has access to corrective action plans and status updates.

### ***Recommendations***

1. It would be of added value to state in the supplier register which factories have been audited on what date and on behalf of which other customer.

## **7. Transparency**

### ***Conclusions***

1. So far Vaude 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. The decision to join FWF was highlighted in the 2010 sustainability report of the company.

2. Retailers and sales agents are informed about FWF membership in the 'Vaude ecosystem', which is a brochure that describes how the company takes responsibility for ecological and social matters. Besides this the FWF logo is placed on the Vaude booth during fairs.

3. In 2011 Vaude staff actively engaged in platform discussions such as the Kirchentag in Dresden where the company explained how it takes its responsibility for working conditions in factories.

4. Vaude does not publish corrective action plans resulting from audits on its website.

5. As Vaude joined FWF in November 2010 the company will submit an annual social report on 2011 in the course of 2012, as required by FWF.

6. The company is committed to work towards implementation of FWFs membership requirements for on product communication. Until these requirements are met Vaude 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 Vaude 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.

4. FWF regards the publication of corrective action plans and realized improvements as a best practice. This could be of interest in the future for Vaude.

## 8. Management system evaluation and improvement

### *Conclusions*

1. Vaude evaluates steps taken in context of FWF membership as part of regular internal discussions. Regarding the factory that was audited in China its performance in implementing the corrective action plan was reviewed after a local consultant had supported the factory in the improvement process.

### *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. This gives insight in how each factory could best be supported in the improvement process.

## 9. Basic requirements of FWF membership

### *Conclusions*

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

## 10. Recommendations to FWF

### *Recommendations*

1. Vaude appreciates the support of FWF in facilitating shared factory audits with other companies, and would welcome initiatives to further strengthen cooperation with other brands.
2. Vaude believes FWF should get retailers on board for its work as they could play a vital role in processes to improve working conditions in the outdoor industry.

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory in China audited in April 2011</b>
Sourcing practices of Vaude	No violations observed. Vaude is the only customer of the factory.
Monitoring system of Vaude	The factory had not received the Code of Labour Practices from Vaude before the audit.
Management system of factory to improve labour standards	The factory had not established written policies on the major aspects of social compliance requirements.
Communication and consultation	The factory had not established formal grievance procedures.
No forced Labour	No major findings
No discrimination in employment	No major findings
No exploitation of child labour	Two underage workers were found at the time of the audit. Juvenile workers were not provided with special protections and annual medical examinations.
Freedom of association and the right to collective bargaining	The factory had not established written policy on freedom of association and protection of workers' right to collective bargaining.
Payment of a living wage	Not all workers were guaranteed the local legal minimum wage. Not all workers were not paid at the legal overtime rate.
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	Workers were not given a copy of their signed contract.

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory in Vietnam audited in October 2011</b>
Sourcing practices of Vaude	No violations observed. Vaude is the owner of the factory.
Monitoring system of Vaude	No violations observed. This audit was the first audit on behalf of Vaude to monitor working conditions in the factory.
Management system of factory to improve labour standards	No violations observed.
Communication and consultation	Management did not have plan to inform workers of the outcome of the social audit or to consult with workers on improvement of working conditions.
No forced Labour	No violations observed.
No discrimination in employment	Factory did not support female workers in their reproductive role by the organization of child care centres and kindergartens.
No exploitation of child labour	No violations observed.
Freedom of association and the right to collective bargaining	Disciplinary practice in the factory did not strictly follow Vietnamese regulations.
Payment of a living wage	No violations observed.
No excessive working hours	Excessive overtime was found.
Safe and healthy working environment	Not all cases of labour accidents were investigated and reported. Not all workers were using personal protective equipment. Workers using dangerous machinery had not received appropriate training.
Legally binding employment relationship	No violations observed.