

**Jack Wolfskin**

**AT HOME OUTDOORS**



**SOCIAL REPORT 2013 / 2014**

Christian Brandt, COO

As the first outdoor company to do so, we made the step towards absolute transparency in 2014 by publishing the audit results for all suppliers on our website.





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## Dear readers,

The topic of corporate responsibility is of increasing importance in our ever-more globalised world. Companies – including Jack Wolfskin – source their raw materials from all over the world. Individual components of a product are shipped to production facilities in other countries or even continents so that the finished product can be manufactured there. A T-shirt, for example, journeys through a whole range of production steps and facilities in various countries, taking it via the cotton field, to cleaning and ginning, spinning, knitting, dyeing, coating and cutting, before being sewn and finished. In addition to the fabric itself, various other components such as sewing thread, labels, hems, prints, embroidery or other decorative elements also have to be purchased and they often have similarly long and complex production chains. Overall, when extrapolating the significantly more complex material requirements of an outdoor jacket, which comprises an average of 40 to 60 individual components, it is easy to see how long and diverse the supply chain is for each product.

**In 2013, Jack Wolfskin decided to itemise the entire supply chain and to assume responsibility wherever it is possible for us to bring our influence to bear.**

In a first step, we drew up a road map where we will completely ban the use of perfluorinated and polyfluorinated chemicals by 2020 as a

result of their persistence in the environment. We also made it our aim to ban all hazardous chemicals from the production chain and make sure that we only use bluesign®-certified fabrics by 2020. This will enable us to make sure we only use the best-available technology, as well as efficient and environmentally friendly methods that do not pose a risk to the people involved in the production process. We will also continue to roll out our Code of Conduct, which was created in line with the requirements of the Fair Wear Foundation, in our sewing factories.

**As the first outdoor company to do so, we made the step towards absolute transparency in 2014 by publishing the audit results for all suppliers on our website.**

In future, we will continue to update this page and provide detailed information and context and also publish complaints or pictures from the factories. In addition to the sewing factories, other players in the supply chain can also be viewed via the transparency tool, along with the relevant ratings. With this step we hope to encourage others to provide transparent information about actual conditions and not to ignore the resulting discussions. The truth may sometimes be slightly less ideal than first thought, but it is the only solid foundation upon which trust can be built. We are convinced that our customers can handle this truth well.



Christian Brandt, COO



# THE JACK WOLFSKIN SUSTAINABILITY STRATEGY

Jack Wolfskin adopted a sustainable approach right from the start. But the term "sustainability" has not always been understood in the same way as it is today. While sustainability was primarily associated with forward-looking action with regard to the economic viability of a company, thus securing jobs, more aspects of sustainability have been developed over the past ten years.

## Sustainability goes all the way to the top at Jack Wolfskin

and, as such, the corporate responsibility (CR) team reports directly to the Management Board. All major CR decisions must be made by the highest level of management in order to become fully anchored in the company strategy over the long term.



**Chief Executive Officer**



**Chief Operating Officer**

- **Corporate Responsibility**
- IT
- Human Resources
- Warehouse
- Purchasing
- Legal department
- Transport
- Finance/Controlling



**Chief Sales Officer**

- DACH Sales
- Europe Sales
- Asia Sales
- Sales, Rest of the World
- Retail



**Chief Marketing Officer**

- Footwear
- Equipment
- Apparel
- Marketing
- Sponsorship
- E-Commerce

Companies can decide to take action in almost all areas of business in an attempt to adopt a long-term and sustainable approach. The key pillars of this are:



the employees



protection of the environment



social responsibility



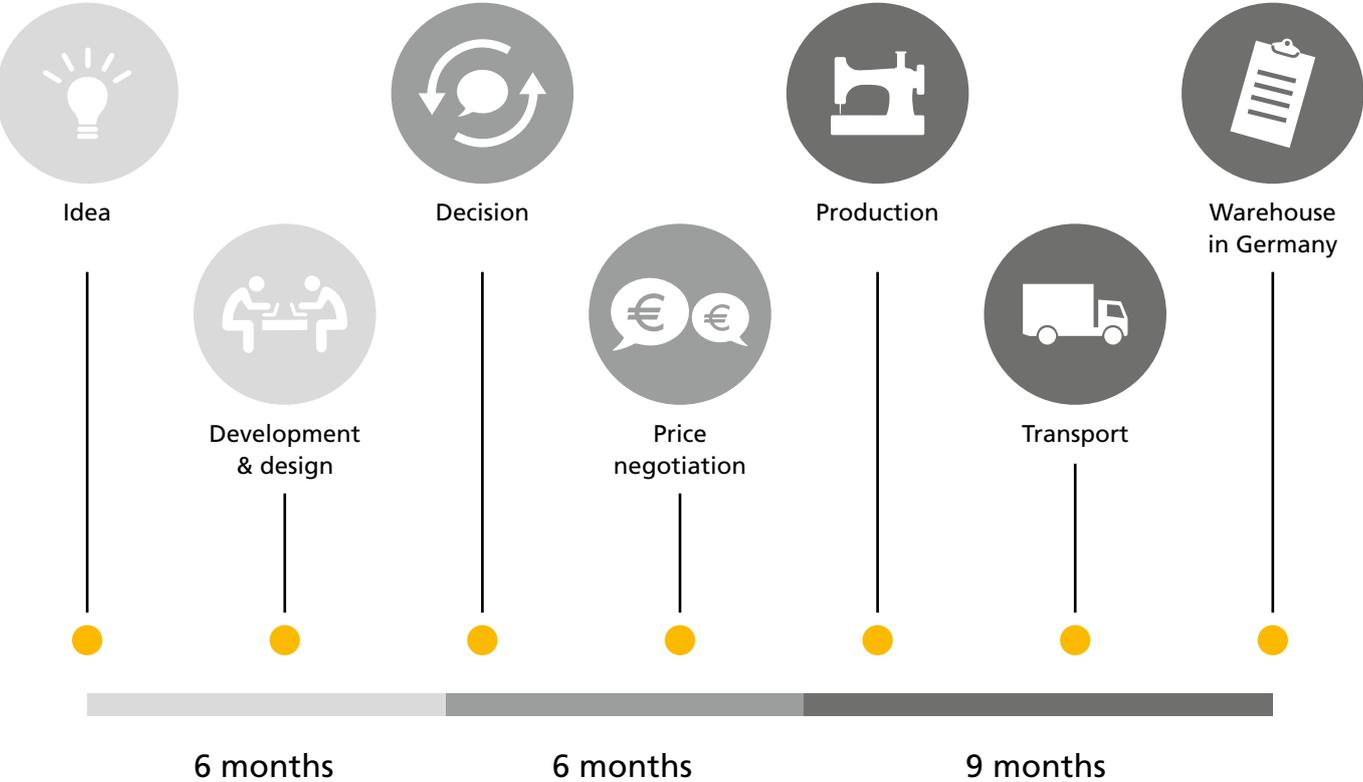
the economic viability of the company

## ***FACTS AND FIGURES***

Group management	JACK WOLFSKIN GmbH & Co. KGaA
Headquarters	Idstein, Germany (since 1997)
Founded in	1981 (in Frankfurt)
Management	Melody Harris-Jensbach (CEO) Christian Brandt (COO) Elke Stein (CMO) Markus Bötsch (CSO)
Retail partners and outlets	Jack Wolfskin products are currently available in more than 900 franchise stores and at over 4,000 points of sale around the world.
Location of the European central warehouse	Neu Wulmstorf, total area of around 40,000 m <sup>2</sup>
Number of employees	Around 800
Products	Jack Wolfskin is one of the leading providers of functional outdoor clothing, footwear and equipment in Europe and has focussed on weather protection for over 30 years. Jack Wolfskin products feature a high degree of functionality, user-friendliness and innovation.



# THE PROCESS OF PRODUCT DESIGN



## *FROM THE CONCEPT TO THE FINISHED PRODUCT*

Ten departments in the Jack Wolfskin headquarters alone are directly involved in the product development process. This means that around 40 people work on every single item!

**How long does it take for a product to go from a concept to becoming available in the shops?**

In total, it takes one and a half years from the initial concept to the finished product.

**How long does it take for an initial draft to become ready for manufacture?**

The development phase comprises many different steps and primarily involves the Product Management team, designers, the fabric and trimming department and technical experts. It takes about ten months to move from the initial concept and development of prototypes to the perfect product.

**How much time does the supplier have to manufacture an order?**

Suppliers have a time frame of around eleven weeks for production alone. They also have a further six weeks to ship the products to Germany.

**Are all products manufactured by the same supplier?**

No, the products are divided between lots of different suppliers. This is necessary because there can be a large number of brands having products manufactured by the same factory, which means that capacities are insufficient for all of the contracts. In addition, lots of the factories are specialised in the manufacture of specific types of product, such as trousers, rucksacks, footwear or raincoats, in order to remain economically competitive.

# ***THE DEPARTMENTS INVOLVED***

## **Who is directly involved with product manufacture at the Jack Wolfskin headquarters?**

Lots of different people are involved with the manufacture of a single product. In our Idstein headquarters, there are ten departments alone that are directly responsible for product development. Of course there are even more departments that indirectly influence the product, for example the Marketing or Sales departments.

## **One major department that lays the foundation for product manufacturing is the Sourcing department.**

Sourcing staff are responsible for developing new supplier relationships, as well as the ongoing assessment and development of existing ones. When we speak of suppliers, we mean companies that create a finished product – for example, a jacket – from various fabrics and elements. The Sourcing department is where we first make contact with potential new suppliers. Jack Wolfskin introduces itself to the supplier and assesses the local production facilities to see whether it is possible to establish a partnership with the supplier based on its abilities. If the result of this assessment is positive and the manufacturer can comply with our requirements, a carefully regulated introduction process is initiated. It takes about twelve months from selection to testing and launch to the first production order.

## **The product management and design phases mark the start of any production process. This is where the product's appearance and functions are defined.**

Design and Product Management teams determine the type and number of products and make decisions as to the cut, fit, pattern, colours and types of fabric and other elements. Because Jack Wolfskin manufactures outdoor products, they almost always have specific technical features, such as waterproofness, water-repellent properties, breathability or windproofness.

## **So that products can satisfy the functionality requirements, the fabrics and trimmings used must fulfil a broad range of criteria. Two major departments come into play here, taking care of sourcing fabrics and trimmings.**

Both departments are responsible for sourcing the components required for manufacturing apparel, equipment and footwear in line with the requirements of the Design and Product Management departments. They ensure that each individual item complies with our high quality and environmental standards, while also fulfilling the required functionality aspects.

## **After establishing the appearance and functions of the product, and after selecting the fabrics and trimmings, it is then necessary to work out how the product is to be made. This is where our technical experts and travelling technicians come into play.**

Using detailed product documentation which contains all fabrics and trimmings, they explain to the supplier how the finished product should look and how certain details need to be handled. Jack Wolfskin has a wide range of quality criteria that must be discussed in detail with the supplier to ensure that the result is a high-quality product. Technical experts monitor the development process by testing prototypes, evaluating and providing comments so that they can be approved for production. Our travelling technicians visit the supplier's facility in order to keep an eye on the production process and help with troubleshooting or provide support where necessary.



The Jack Wolfskin Headquarter in Idstein.



Independent auditors monitor compliance with requirements on site.

### **Pricing is done between finalising the product requirements and manufacturing the product.**

The pricing is discussed and negotiated with the suppliers for the manufacture of each individual product. Generally, we work with an open calculation, in which the cost elements such as materials, labour costs and profits are established in a transparent manner. In addition, the Product Development department also considers which supplier can manufacture which product the best, and whether this supplier is able to produce the required quantities with the capacities available.

### **The Purchasing department is also actively involved at several stages of the process.**

The Purchasing team are in close contact with our suppliers. Before products are awarded to a supplier, purchasers speak to them about their capacities. On the basis of this information, the team can plan and establish which products can be manufactured where, and when. What's tricky here is making sure that suppliers are given sufficient time for production in order to avoid overtime and overworking employees. Further work takes place during the production phase. Once a week, enquiries are made as to the progress of production in order to be able to react appropriately to delays or unforeseen events. The purchasers are therefore the ones who manage all the relevant data from suppliers in order to ensure straightforward processing.

### **The Purchasing team exchanges information with the Logistics department.**

The Logistics department knows exactly when and where each product is manufactured, and when a product is ready for dispatch to our warehouse in Neu Wulmstorf, Germany. Thanks to the Logistics department, we always know where our products are, ensuring the punctuality of incoming goods.

### **The Jack Wolfskin CR department, known as Vendor Control, also works in parallel for all processes. This department is concerned with humane and safe working conditions for the suppliers' employees.**

The Vendor Control department is involved right from initial contact with the new supplier in order to present and discuss our Code of Conduct, membership of the Fair Wear Foundation (FWF), requirements in terms of hazardous substances and lots of other topics relating to social and environmental standards. All suppliers must agree to comply with our Code of Conduct. Their actual compliance is checked regularly through on-site audits. The supplier is rated using the evaluation of compliance conducted at the audit. The supplier receives a corrective action plan with points to improve upon (for more details about the process, see *Chapter 5, "Production facility audits"*).

But it's not just the Vendor Control department that works together with the suppliers on implementing improvements – all the other departments listed above also assess the supplier in accordance with various criteria in order to achieve a comprehensive picture of its strengths and potential. Read about the process that new and existing suppliers have to go through for every single collection, and how ratings are made and used, in *Chapter 4 "Jack Wolfskin and its suppliers – a partnership of trust"*.

# JACK WOLFSKIN AND ITS SUPPLIERS – A PARTNERSHIP OF TRUST



## Presenting the evaluation system

### How do we make sure that we choose the right suppliers – ones that are a good fit for Jack Wolfskin?

Jack Wolfskin wants to build up long-term, sustainable partnerships with its suppliers. We do not have any of our own manufacturing facilities but work together with companies that manufacture our products for us. This works best when there is a culture of mutual trust and support. In order to assess the strengths and weaknesses of the partnership, we have developed a system that highlights potential improvements for each step of the process both for us and the supplier. This system encompasses all our suppliers and comes into play as soon as a new supplier is selected for a potential partnership. New suppliers are carefully and intensively managed by us. During a six to eight-month induction phase, we continually assess how the partnership is working, whether we are a good fit and whether the supplier is suitable for being added to our pool. As described above, lots of different departments work together with the suppliers. Each department evaluates the supplier using specific criteria so that all departments have given their appraisals before the end of the induction phase. After this, the departments get together to discuss whether the supplier is a potential candidate for a future partnership. If this is the case, the

supplier will continue to be evaluated regularly in future. The assessment shows where the supplier has scope for improvement, and in which areas Jack Wolfskin should optimise its processes. A plan of action is then developed to help both partners secure the future of the cooperation successfully and sustainably over the long term.

### What role do social standards play in this evaluation system?

A basic requirement for developing a partnership with a supplier is their willingness to work in accordance with our social standards and those of the FWF. In order to get an idea of the extent to which the requirements from the Code of Conduct have already been implemented by the supplier, we commission an independent, external company to audit the facility (see also glossary: Audit). The audit is the basis of the decision as to whether a future partnership is tenable.

Because no one can be perfect right from the start – and that goes for both us and our suppliers – we also give our suppliers an opportunity to improve and work towards maintaining social standards even if they don't achieve top grades across the board from the outset.



## Information about countries and suppliers

### On average, how long have we been working with our suppliers?

We have been working with some of our suppliers since the very early days of the company, while some were only added to the pool last year. In general, we aim to develop long-term, sustainable partnerships. The chart gives an overview of the duration of the partnerships with our suppliers.

### Why might Jack Wolfskin terminate a partnership with a supplier?

Terminating a partnership with a supplier may have various causes. Our evaluation system means that we are informed about the development of every supplier in every field, and can make well-considered decisions on the basis of this information. Problems can occur in any area – from quality to compliance with social standards. We always try to work with our suppliers to achieve improvements but the measures are not always effective. If it turns out that a long-term partnership is not possible because improvement measures are not taking effect or are not being implemented, we initially reduce the number of orders awarded. If no further improvements are made, we may decide to terminate the partnership.

### Which countries manufacture Jack Wolfskin products?

Our main countries of production are Vietnam, Bangladesh, China and Indonesia. Our products are manufactured in 15 different countries throughout Asia and Europe.

### Where do the fabrics and trimmings come from?

The fabrics and trimmings used to make our products come primarily from Taiwan, South Korea, Japan and China.

### Are the manufacturers of fabrics and trimmings also audited?

As a result of the different challenges involved in the production of fabrics and trimmings, they are evaluated using a different system. Here, we primarily use the bluesign® system. bluesign® also governs criteria such as industrial safety and bans on child and forced labour, etc. In addition, it also covers other factors relating to the environment, such as the efficient use of resources, the ban on hazardous chemicals, safe application processes and the imperative to use the best-available technology.

# AUDITS IN PRODUCTION FACILITIES

Our system of auditing suppliers before we even award them a contract, coupled with regular repeat audits, means that all our suppliers are subject to audits. We set great store by being fully aware of the conditions in our production facilities. Only if this is true are we able to react quickly to mistakes and continue to work with the supplier towards improving processes. The audits are carried out by an independent, external company. You can read more about what is assessed during an audit in the glossary under "Audits". In addition to our own audits, the Fair Wear Foundation also conducts its own regular verification audits. Whenever we have the opportunity to carry out a joint supplier audit with another company and work towards making improvements together, we make the most of it.

In order to obtain a quick, accurate overview of the audit results, we work according to a scale ranging from one (the worst rating) to ten (the best). This scale is used to assess the following nine areas in the audit:

- **Management practices**
- **Working time**
- **Compensation**
- **Child labour**
- **Forced labour**
- **Freedom of association and collective bargaining**
- **Discrimination**
- **Health / safety / working conditions**
- **Environment**

A rating is given for each category that shows the level of compliance with the Code of Conduct. The minor and major violations determined in the audit are laid out in a corrective action plan, (CAP), and discussed with the supplier's management team, who then have the option of implementing improvements within a set period of time. Compliance is monitored by the Vendor Control department via visits, video conferences or phone calls, and re-evaluated at the next audit. In addition to these regular audits, factories are also evaluated if an employee lodges a complaint with Jack Wolfskin or the FWF. Enquiries are made locally as to what happened, what the current state of affairs is, and what needs to be done in order to improve the situation and remove the cause for the complaint.

The suppliers' facilities are visited regularly by Jack Wolfskin employees. In addition to the Vendor Control team, which is responsible for social standards, technicians and purchasers also keep their eyes open and inform the team of any violations. However, only auditors have access to documents such as payrolls or time sheets because they are fluent in the local language and have the required expertise to be able to read and assess the documents correctly.

## What happens to the results of the social audit?

The audit results are shared with all key departments at Jack Wolfskin and discussed in detail. This primarily relates to Sourcing, Pricing, Purchasing, Technology and Product Management, as well as Logistics. However, all other departments in the evaluation committee also report on their impressions of and experiences with the suppliers. The cooperation between all departments enables us to get an overall picture and identify the causes of specific problems. This means that a poor rating in terms of overtime and delays in delivering the goods to Jack Wolfskin might be traced back to delivery delays at the fabric manufacturer, for example. As the cause of the problem here is an upstream process, it would not be fair for the producer of the goods to bear the negative consequences. Thanks to the system, these kinds of circumstances come to light quickly and can be systematically rectified for the future.

## Does Jack Wolfskin carry out unannounced audits too?

Most of the audits commissioned by Jack Wolfskin are announced. The reason for this is that certain personnel, such as senior management, human resources, financial accounting and staff from the Social Compliance department, must be present. This is the only way to access internal documents and ensure that the audit is meaningful. However, unannounced audits can also be useful and are implemented for specific purposes, such as to check or expose possible false statements from previous audits. In addition, conversations with employees away from the factory premises prior to each audit are a vital component of this.



The individual results of the check are recorded in detail.

# JACK WOLFSKIN SHOWS TRANSPARENCY

## Can anyone view the results of the supplier audits?

Jack Wolfskin makes the entire supply chain transparent! The supply chains for apparel, equipment and footwear are highly complex. The last link in the production chain is formed by the sewing factories. They bring together all the fabrics and trimmings required to make the finished product. Sewing is a manual process. Consequently, there are a great many people involved in this production phase, which is why adherence to good, safe working conditions is especially important here. Companies and initiatives that endeavour to improve working conditions in this particular area bring positive change to the greatest number of people. In order to make the results regarding compliance with social standards at

supplier factories transparent, we have decided to publish all the data online. All information regarding the sewing factories for the apparel, equipment and footwear divisions are published on the Jack Wolfskin website along with names, addresses and additional information such as audit data and results, and can be viewed by our stakeholders. The suppliers are divided into

- **pioneers**
- **good suppliers with potential for improvement**
- **suppliers who are still in the early stages of implementing social standards**

The screenshot shows a web browser window with the URL <http://company.jack-wolfskin.de/unternehmen/lieferantenkette.aspx>. The main heading is "UNSERE LIEFERANTENKETTE". Below this, a process flow diagram shows three stages: "Vorstufenlieferant" (Pre-stage supplier), "Materiallieferant" (Material supplier), and "Konfektionär" (Manufacturer), leading to the Jack Wolfskin logo. Each stage has a brief description of its role in the production process. Below the diagram, there is a section titled "Lerne unsere Lieferanten kennen" (Get to know our suppliers) with filters for "Tätigkeit" (Activity), "Division", and "Land" (Country). A legend indicates that colors represent the level of social and environmental standards compliance: yellow for "Vorreiter" (Pioneer), grey for "Out mit Verbesserungspotenzial" (Out with improvement potential), orange for "in den Anfängen" (In the beginning), and white for "bisher keine Daten verfügbar" (No data available yet). The bottom of the page shows a grid of supplier icons, mostly yellow, representing the current filter results.

Excerpt taken from the transparency tool on the Jack Wolfskin website

## **Does Jack Wolfskin also create transparency for the suppliers who deliver to the sewing factories?**

Each sewing factory requires specific fabrics and trimmings such as buttons or zips in order to produce a product. Depending on the type of product and its intended function, a great number of different materials may be required. For example, a raincoat may be composed of 40 different materials or a rucksack may consist of 60 components. For the most part, this is not noticeable to the consumer. The various materials must of course be produced first. This is carried out at a number of different production sites, as each excels at something different, such as producing zips or weaving the fabric for a raincoat. These suppliers – the manufacturers of the individual components – are represented as material suppliers and prestige suppliers in the transparency tool on our website. These suppliers are also subject to our assessment. At this stage, we place particular emphasis on workplace safety, the use of non-toxic chemicals and the conservation of resources. For example, at a production site where a white fabric has to be dyed blue, it must be ensured that only non-harmful dyes are used, as little water is used as possible, waste water treatment facilities are available and that the workers wear suitable protective clothing.

## **And how can Jack Wolfskin ensure clean production?**

In order to monitor the suppliers that deliver the materials to the sewing factories, Jack Wolfskin is affiliated with the bluesign® system. The bluesign® system is a comprehensive concept that includes all suppliers in the chain. The use of substances that are hazardous to the environment and to health is prevented from the start, and the initiative ensures that resources such as energy and water are used responsibly. Jack Wolfskin has set itself the goal of only obtaining materials from bluesign® system partners. This means that we can ensure clean, safe production at all stages of the supply chain.



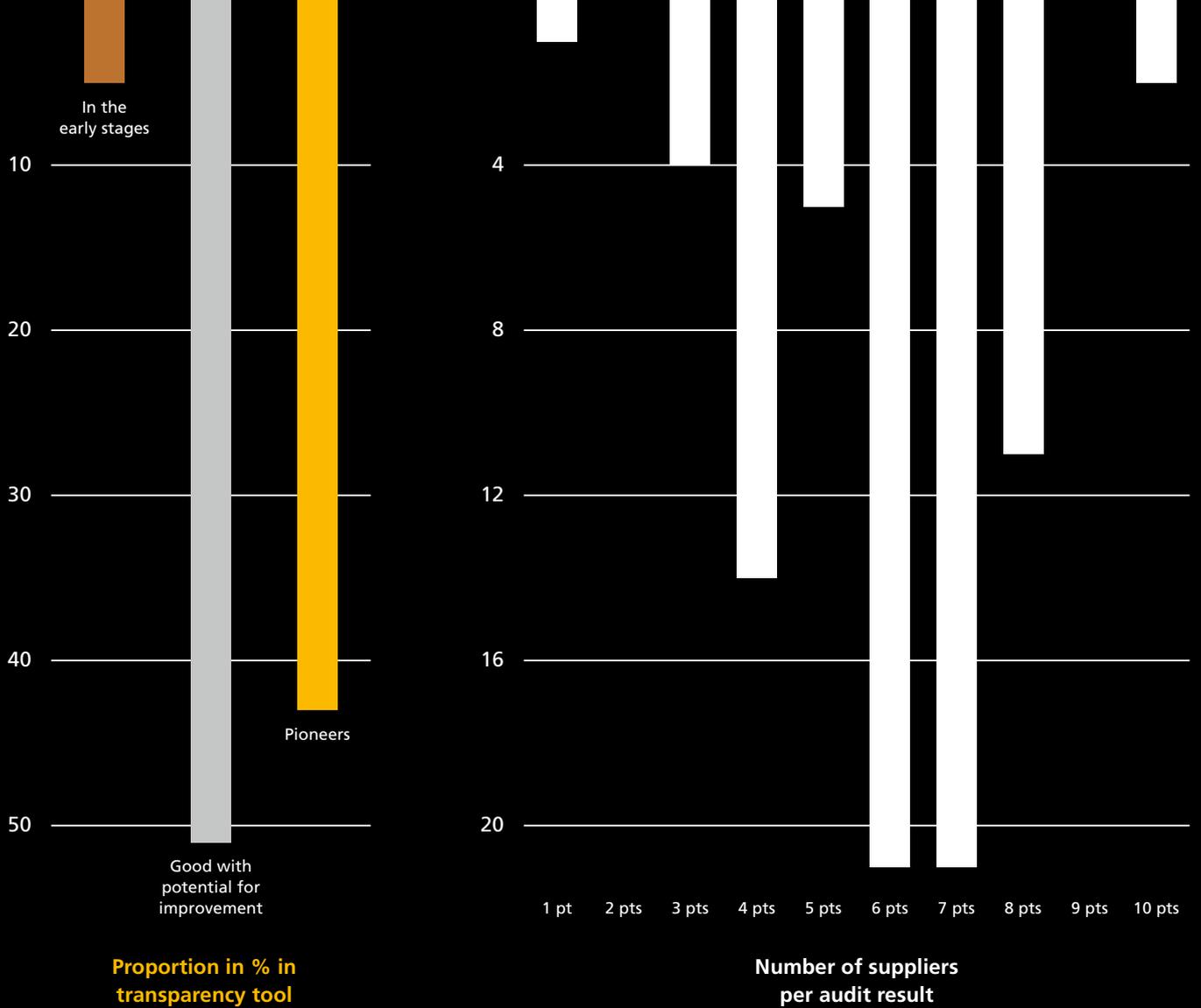
# EVALUATIONS OF AUDIT RESULTS

Each supplier has their strengths and weaknesses as regards compliance with social standards in a range of areas. Nevertheless, patterns are often identified that can be linked to country-specific problems. Once these patterns have been recognised, training measures can be developed and offered systematically for each country. The Workplace Education Programme (WEP) from the Fair Wear Foundation, for example, is tailored to the needs of different countries. More information on the training sessions carried out at Jack Wolfskin suppliers can be found in *Chapter 11 "Workplace Education Programme"*.

Country-specific problems from the results of the audits are analysed and summarised on the following pages. Amongst the suppliers there are main suppliers, identified with an "M" in the tables, and so-called subcontractors, who assist the main suppliers or to whom individual orders are outsourced. These are identified in the tables with an "S". Subcontractors may only be used after prior consultation and approval by Jack Wolfskin. With regard to compliance with social standards and auditing, they are treated in exactly the same way as main suppliers. The difference is that there is no direct contractual relationship with these suppliers; instead, financial transactions are executed via the main suppliers.

Our suppliers and their ratings from the transparency tool are listed on the following pages. The average audit rating for each country's suppliers is shown in a graph. A scale from one (worst category) to ten (best category) illustrates the ratings for all countries. If all points in the Code of Conduct are fulfilled, the supplier will receive an eight in the relevant assessment category. The point scores nine and ten represent best practices and are awarded for outstanding commitment. A point score of eight or higher means that a supplier has implemented a sustainable system that ensures long-term compliance with social standards.

A rating of below eight for child labour, for instance, doesn't mean that children are actually working in a factory. Instead, it means that due to missing procedures and measures, it cannot be completely ruled out that minors, even inadvertently (e.g. due to them presenting forged identification papers), are being employed by the factory.



## Overview of results

### How many suppliers (sewing factories) does Jack Wolfskin work with?

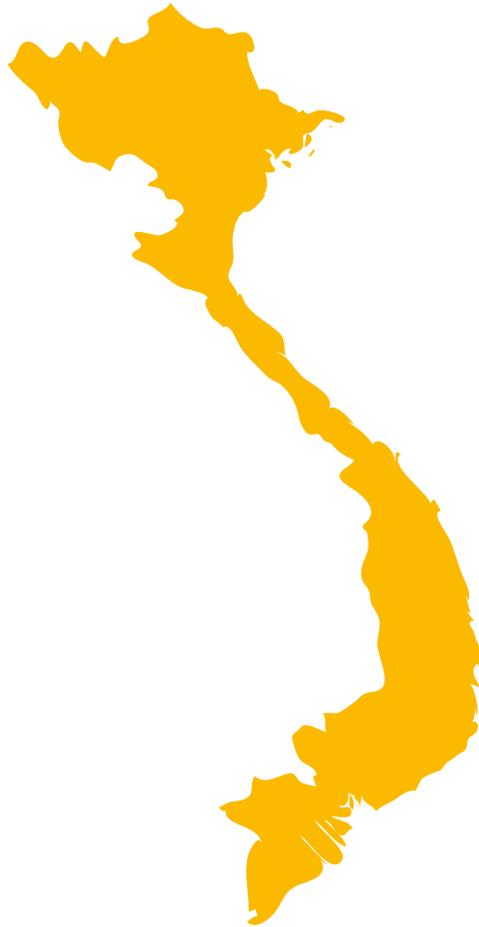
In 2014, Jack Wolfskin worked with 79 suppliers.

### Are all suppliers included in the transparency tool?

Our transparency tool includes all active suppliers (as of August 2014). Around 43% of suppliers were able to achieve pioneer status, followed by 51% who performed well yet have areas for improvement. Only 6% of suppliers are still in the

early stages of implementing social standards. Taking only the audit results of the suppliers into consideration, it can be observed that most of them have between six and eight points. As already mentioned, eight points represent 100% fulfilment of the requirements of the Code of Conduct, whilst nine and ten points stand for best practices. For scores of fewer than eight points, a certain number of critical violations of the Code of Conduct have been recognised that the supplier needs to work on. The following chart shows an overview of the number of suppliers in each point category.

# VIETNAM



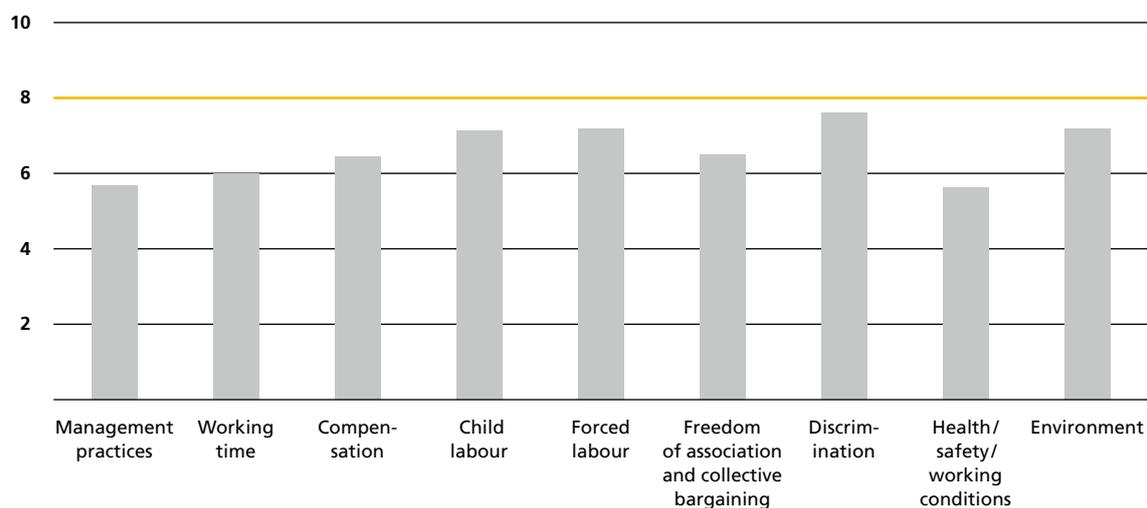
Fortunately, our main suppliers have improved in most of the audit categories. Violations of the Code of Conduct were predominantly observed amongst the subcontractors of the suppliers. The main problems were observed in the management practices and health and safety at work categories. In cases of poor management, improvement measures are often carried out as one-off actions, but are not implemented sustainably as a consistent procedure.

An example of this is when fire extinguishers are renewed shortly before an audit, but there is no regular maintenance plan in place in the factory that would ensure ongoing safety without periodic inspections.

This example illustrates that a poor result in the management practices category often has negative consequences for other categories, e.g. workplace safety or working time.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
ASG (Adin Saigon Co., Ltd.)	H	1.62	Feb 14	
Kido Hanoi Co., Ltd.	H	4.11	Aug 14	
Prex Vinh Co., Ltd. (Kido)	S	6.59	Feb 14	
Bac Giang Garment JSC (Kido)	S	1.93	Feb 14	
Dong Tien Joint Stock Company	S	4.39	Feb 14	
Elegant Team Manufacturer Co., Ltd.	H	6.20	Oct 14	
Northern Textiles and Garment Joint Stock Company - Textaco	S	1.82	Oct 14	
Viet Thang Garment Joint Stock Company	S	1.09	Aug 14	
Max Zone (Astro Saigon)	H	2.56	Feb 14	
MK IMEX Co., Ltd.	S	0.34	June 13	
Han Viet	S	0.51	Aug 14	
Hoguom Garment Joint Stock Company	H	0.38	July 13	
Kaiyang Vietnam Co., Ltd.	H	2.44	Feb 14	
Moland Co., Ltd.	H	0.95	July 14	
Shints-BVT Co., Ltd.	H	2.96	Jan 14	
Quoc Khanh Factory	S	0.29	Aug 14	
Viet Vuong Co., Ltd.	H	0.08	Aug 14	
Viva Saigon Co., Ltd.	H	0.37	Aug 12	

Suppliers in grey: collaboration has already been terminated.



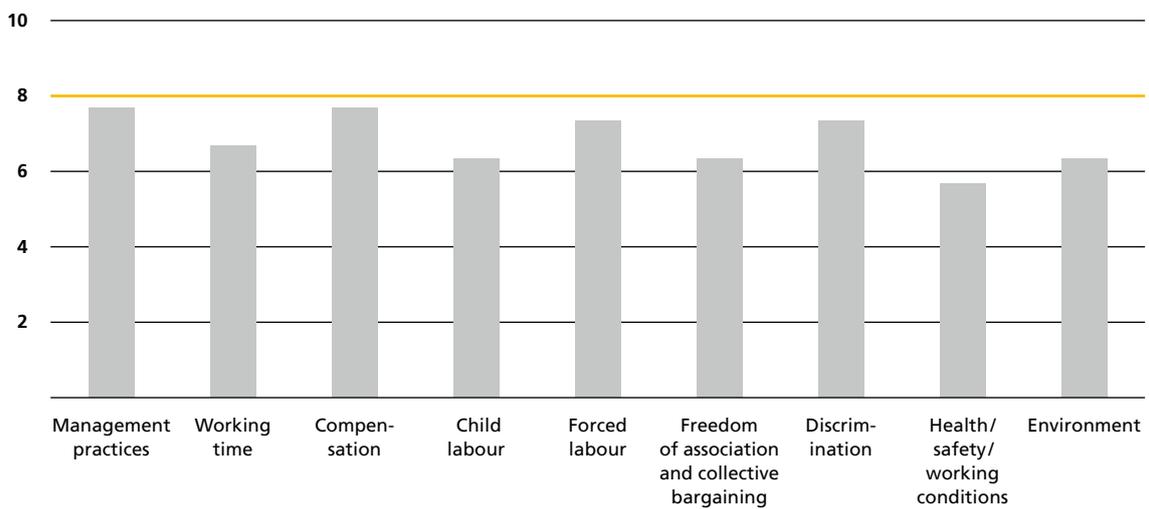
# BANGLADESH



We currently work with three suppliers in Bangladesh. During the past year, we were able to accept a new supplier after a comprehensive inspection. After the disaster at Rana Plaza in April 2013, we immediately arranged inspections of our suppliers that included specific investigations into building safety and fire protection regulations. All three factories achieved good to excellent results in the audits. Alongside the checks we commissioned, all suppliers took part in a training session from the Fair Wear Foundation. This one-day training session was aimed at making the managers of the factories aware of the dangers that could arise from a lack of fire and building safety. They

were encouraged to check relevant points and introduce improvements if necessary. Two of the factories joined the “Accord” and “Alliance” initiatives (see glossary) and now undergo corresponding safety inspections. There is potential for improvement in one of the factories in the categories of environment, workplace safety and freedom of association. Shortcomings were identified in the hygiene standards in the canteen as well as a lack of waste management. And although there is a functioning complaints system in place, no trade union has been formed in the factory as yet. According to interviews with employees, there is no indication of restricted freedom of association.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Youngone CEPZ Ltd.	H	0.94	Sept 13	
Youngone Hi-Tech Sportswear Industries Ltd.	H	19.62	June 13	
Kadena Sportswear Ltd.	H	0.04	Oct 13	



# CHINA



We were forced to part company with several suppliers in China this year due to a variety of reasons. Some had persistently poor results and displayed a lack of willingness to improve with regard to social standards and compliance with the Code of Conduct.

## **Which challenges must be overcome in China?**

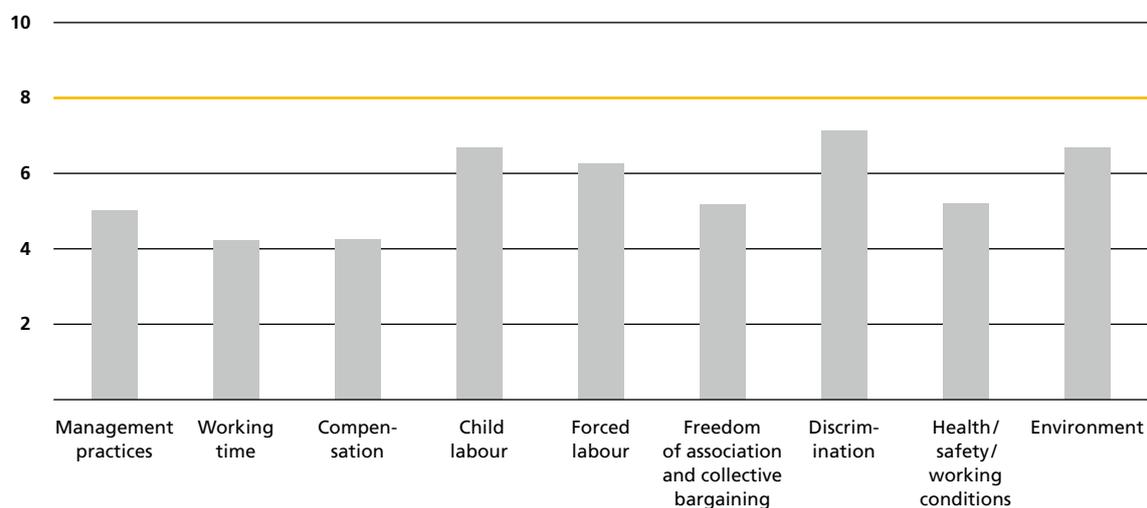
As before, the biggest challenges in China are in the areas of working time and compensation. This can be attributed to the fact that the auditors were often provided with falsified documents that, while within the law, did not reflect the actual working hours or pay. Due to the double bookkeeping, it was often not possible for the auditors to compare the working hours and wage payments to check whether the pay for overtime conformed with statutory requirements. It is also just as difficult to determine whether a living or even minimum wage is being paid and whether the maximum limits for overtime are being complied with. This situation leads to the following problem: responsible capacity planning on the part of the company is difficult under these conditions. The concealment of the actual working hours

and the capacities falsely calculated by the suppliers thereby lead to a points deduction in the three categories of management practices, working time and compensation.

We identified greater weaknesses as regards workplace safety with our footwear manufacturers. With the support of our technical team on site, we will eliminate this deficiency step for step. The technicians from Jack Wolfskin, who spend a large part of their working hours at the production sites, are able to continuously suggest corrective measures in the case of a lack of protective equipment, poor exhaust air units or similar shortcomings, thereby achieving a fundamental improvement. The Fair Wear Foundation has developed the Workplace Education Programme in order to improve the general working situation in China in the long term. Workers and managers are familiarised with the requirements of the Code of Conduct in detail in separate workshops and are trained in practising meaningful and rewarding communication with each other in order to find an acceptable solution for all parties in the case of a dispute. In addition, the training programme for workers includes a discussion on the complaints system of the Fair Wear Foundation.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Blue Fish Shoes Co., Ltd. (Fujian QuanZhou)	H	1.08	Dec 13	
Wanxing Garments Co., Ltd. (Beijing)	H	0.19	Apr 12	
Century Beauty Co., Ltd. (Beijing)	S	0.19	Dec 12	
Jiahai Clothes and Ornament Co., Ltd. (Anhui)	S	0.19	Dec 12	
Oceano Apparel Co., Ltd. (Beijing)	S	0.19	Dec 12	
Challenge Textile Co., Ltd. (Shanghai)	H	0.09	Mar 14	
Hongsheng Footwear Co., Ltd.	H	0.75	Dec 13	
Hongchi Shoes Development Co., Ltd. (Fujian)	H	4.27	Dec 13	
Zhanda Clothing Co., Ltd. (Jiujiang)	H	1.56	Nov 14	
Hsuan Sleeping Bag Factory	H	0.77	Nov 14	
J.F.C. Apparel Ltd. (Guangdong)	H	3.41	Apr 13	
J.F.C. Apparel Ltd. (Hunan)	S	0.85	Apr 14	
JiangKai Sports Products Co., Ltd.	H	0.81	Nov 13	
Youngtech (Dongguan) Co., Ltd.	S	0.54	Mar 14	
Jiangsu Asian Sourcing International MFG Co., Ltd.	H	1.01	Mar 14	
Ming Rui Footwear Industrial Co., Ltd.	H	1.32	Nov 13	
Prosper Footwear Co., Ltd. (former: Xinlong Co., Ltd.)	H	0.93	Dec 12	
Top Eagle Heshan Garment Ltd. (E-One)	H	0.38	Dec 13	
Top Standing Ltd.	H	0.03	Mar 13	
Victory Footwear Co., Ltd.	H	0.00	Sept 14	
Wai-Wah Skiwear Factory Ltd.	H	0.41	Mar 14	
Wie Li Textile Supercap Co., Ltd. (Tiger Growth Assets Ltd.) (Zhongshan)	H	0.00	Mar 13	
Yangfan Yike Tent Manufacturer Co., Ltd. (Shanghai)	H	0.49	Mar 14	
Yangfan Sleeping Bag Co., Ltd. (Shanghai)	H	0.13	Mar 14	

Suppliers in grey: collaboration has already been terminated.



# INDONESIA

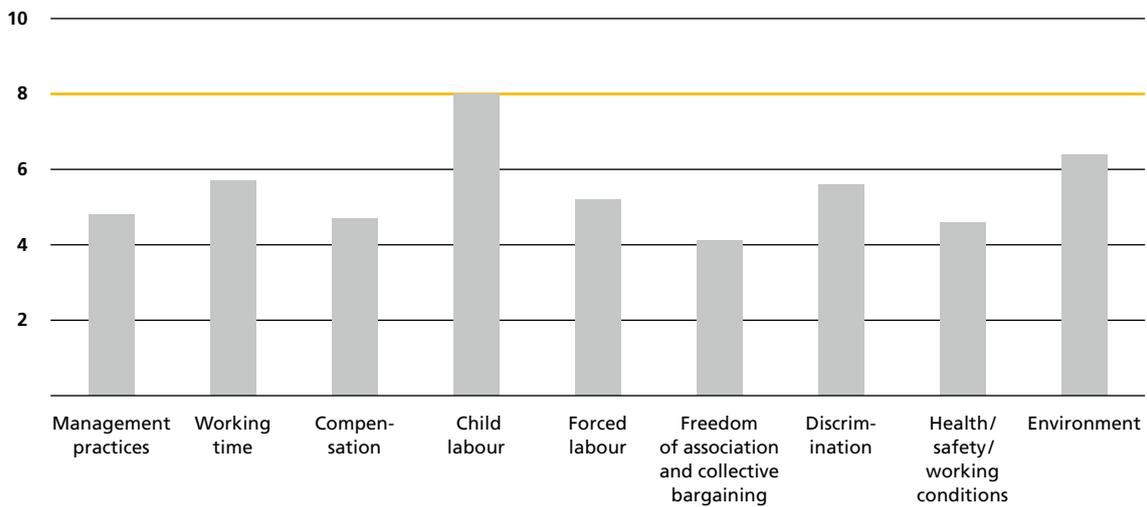


## **How come freedom of association has the lowest rating here?**

In Indonesia, there are now many active trade unions in the factories that stand up for the rights of their members. Unfortunately, they often have to face the discrimination of factory owners. Trade union members, but especially trade union leaders, run the risk of being fired in murky circumstances if they wish to make demands on the company through striking, for example. Based on our experience, it is difficult for individual factory owners to deal with work-

ers and their desires or demands. This means that although trade unions are approved, a genuine exchange, which ideally leads to a positive outcome for both the employees and the employer, only takes place in a few cases. Another problem in Indonesia is temporary contracts, which discourage workers from taking an active role in a trade union due to a fear of losing their job. The country-specific challenges listed above, which to some extent also exist in the factories used by Jack Wolfskin, result in a medium overall rating for the country with potential for improvement in various areas.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
PT. Citra Abadi Sejati (Busana)	H	2.16	Nov 12	
PT. Citra Cileungsi	S	0.04	Aug 14	
PT. Kido Jaya, Factory I	S	1.50	Aug 14	
PT. Ameya Living Style Indonesia	H	1.33	Nov 13	
PT. Asmara Karya Abadi (PT. JabaGarmino)	H	1.08	Nov 13	
PT. Morich Indo Fashion	S	0.19	Nov 13	
PT. SC Enterprises	S	0.07	Aug 14	
PT. Pancaprima Ekabrothers	H	0.87	Nov 12	
PT. Sungintex - Sioen	H	1.25	Nov 13	
PT. Tri Golden Star Wisea	H	0.52	Aug 14	



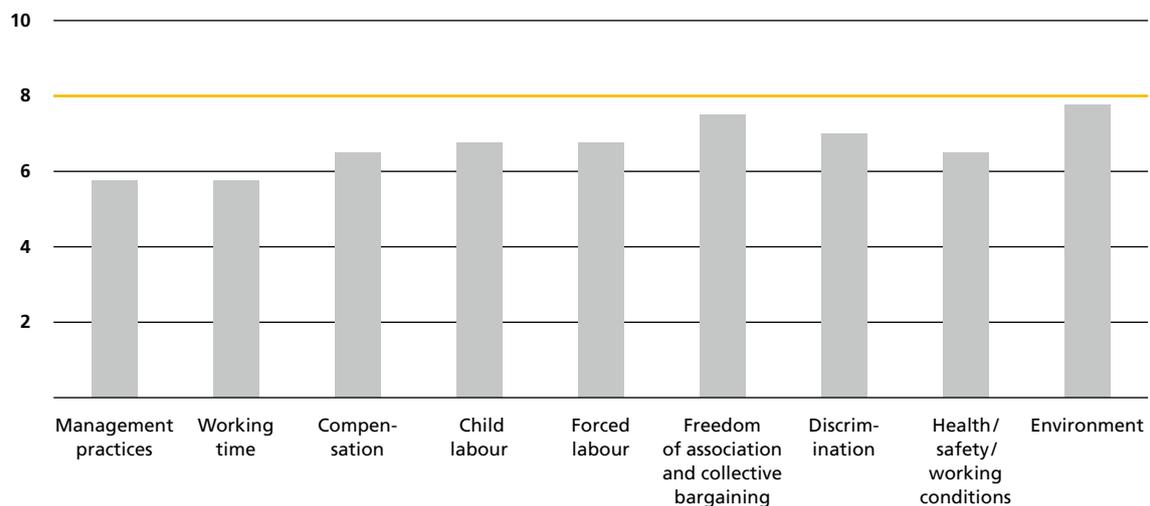
# INDIA



Work with all suppliers in India was terminated during the last year. This was due to a strategic decision that was made in part due to quality defects.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Gokaldas India	S	0.17	Nov 12	
Chennai (SEZ)	S	0.17	Nov 12	
Euro Clothing Company (ECCI)	S	0.17	Nov 12	
Usha Garments MFG Co., PVT Ltd.	H	0.20	Nov 12	

Suppliers in grey: collaboration has already been terminated.



# CAMBODIA

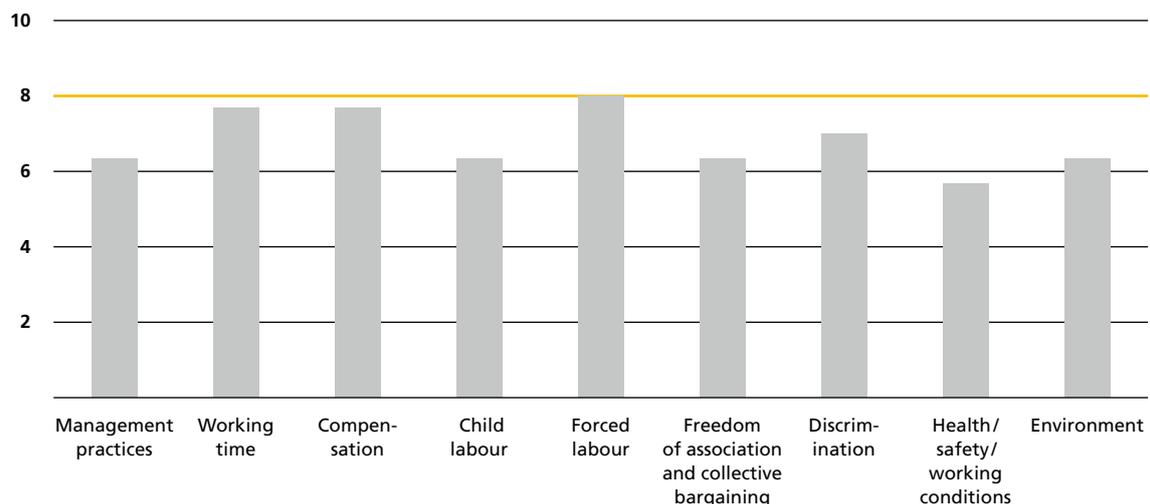


We worked with three suppliers in Cambodia in 2013. Partnership with one of the suppliers has now been terminated. One of the remaining suppliers is participating in the “Better Factories Cambodia” project and is therefore regularly audited by the ILO (International Labour Organization). There is general potential for improvement in the areas of workplace safety, and, in one of the factories, the strategic elimination of child labour. The hiring of workers under the age of 18 is not necessarily deliberate, but systematic

checking of identification papers as part of the recruitment process has however not been ensured. This presents the risk of inadvertently hiring underage workers for whom certain protection rights should be observed. As this process was not checked strictly enough, the supplier was downgraded in the child labour category. As with many other points, this problem was recorded in an action plan in order to permanently rectify it for the future.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Fu Chuen (Cambodia) Co., Ltd.	H	1.79	Mar 14	
Gartha International Co., Ltd.	H	0.77	Oct 14	
Quint Major Industrial Co., Ltd.	H	1.74	Oct 14	

Suppliers in grey: collaboration has already been terminated.



# THAILAND

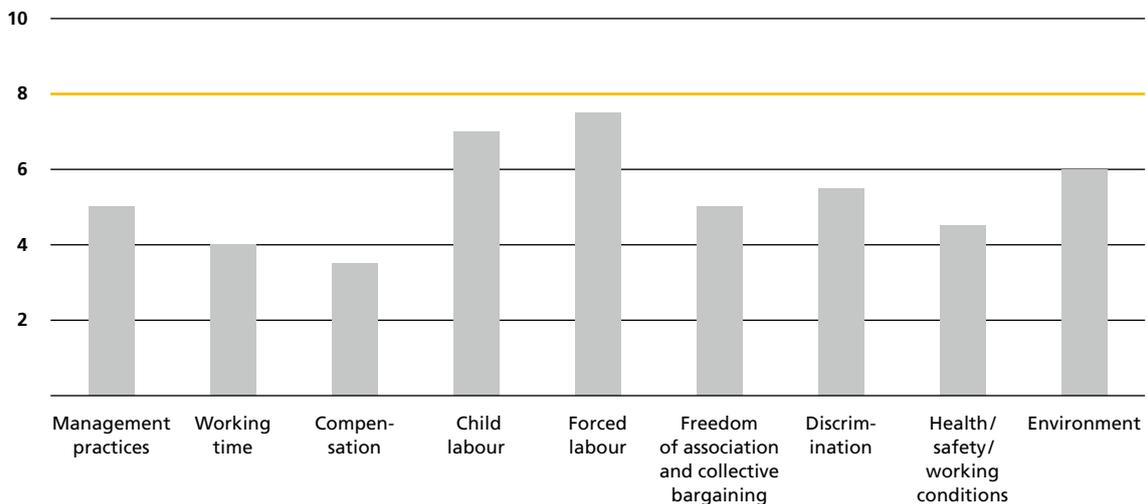


We had been working with our supplier Lee Lin Apparel Co., Ltd in Thailand for over 25 years. Unfortunately, the factory was closed by the supplier in December 2014 after a long improvement process supervised by Jack Wolfskin. The factory concerned is located in Tak province, a region in north-eastern Thailand. Due to the

proximity to the Burmese border, a number of Burmese emigrants work there, the majority of whom do not possess a Thai working permit. Further details on this matter can be found in *Chapter 9 "Complaints Procedure"*.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Lee Lin Apparel Co., Ltd.	H	<0.01	Mar 13	
Yuan Jiou Garment Co., Ltd. (Lee Lin)	S	2.38	Mar 13	

Suppliers in grey: collaboration has already been terminated.



# BULGARIA

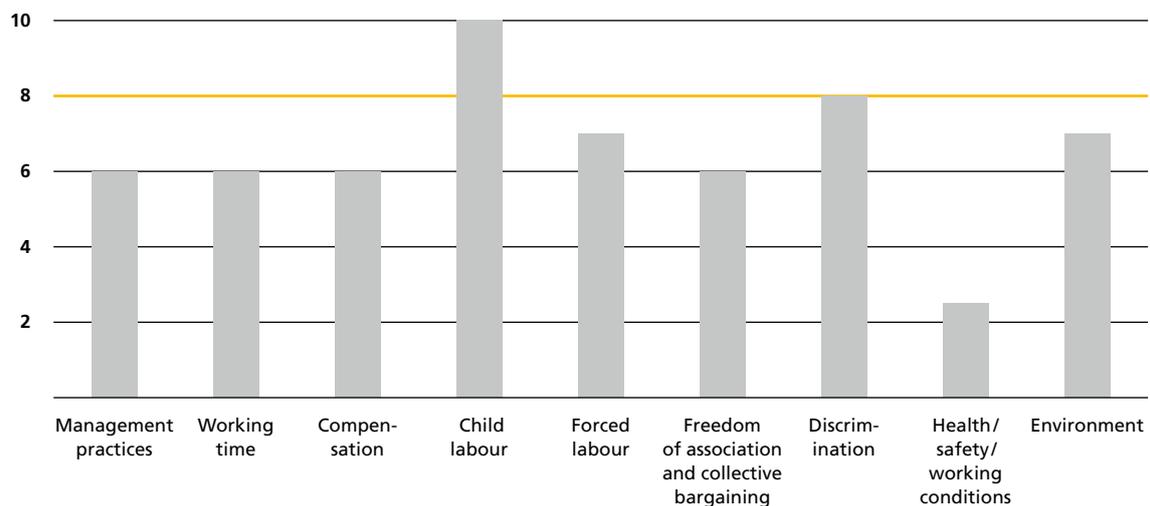


Jack Wolfskin had manufacturing carried out by a supplier in two factories in Bulgaria last year. However, the partnership has now been terminated. The most major problems were in the area of workplace safety. On paper, there was a well-documented system, yet this was not really put into practice in the factory. It was determined

that there were failings in fire protection as well as personal protective equipment for the workers (e.g. a lack of protective gloves for cutting). Ultimately however, the termination of the working partnership was primarily due to strategic reasons rather than the violations of the Code of Conduct.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Trend Fashion Textil (Krichim)	H	<0.01	June 14	
Trend Fashion Textil EOOD (Unit 2, Rakovski)	S	<0.01	June 14	

Suppliers in grey: collaboration has already been terminated.



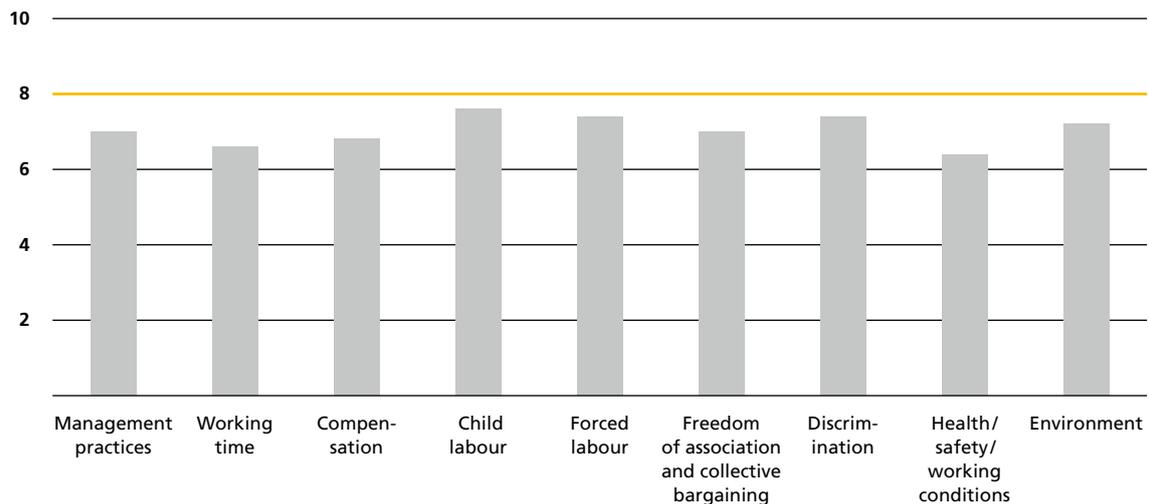
# ITALY



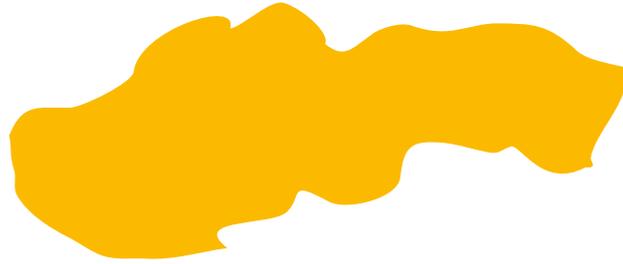
Many of our suppliers in Italy are small factories with fewer than 20 employees. On average, they performed well in the audit. There is potential for improvement in the area of workplace safety. Regular fire safety and first-aid training is even obligatory in small companies, but is often neglected. There was also room for improvement in

terms of chemical management, e.g. with regard to the correct labelling and storage of chemicals. Due to missing documents at one of the suppliers, it could not be verified whether payment reflected the number of hours worked, which resulted in a deduction on this point.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Insocks	S	<0.01	Jan 14	
Interknit SRL	S	0.03	Jan 14	
Intermed SAS	H	0.10	Apr 14	
New Koko's	S	0.11	June 10	
Trerè Innovation SRL Unipersonale	H	<0.01	Feb 14	



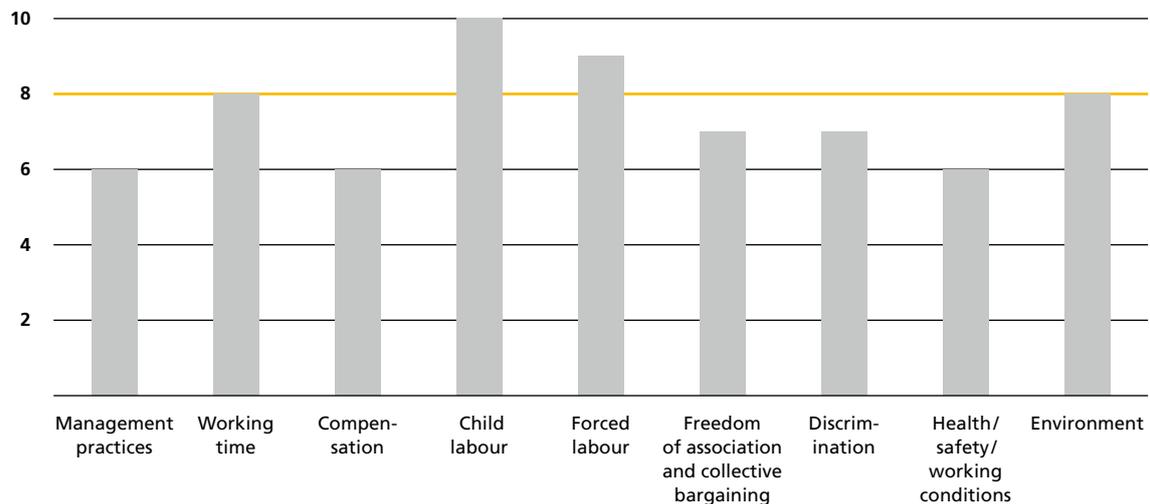
# SLOVENIA



The suppliers in Slovenia are subcontractors of an Italian firm, which is certified according to the SA8000 social standard. As compliance with both the SA8000 standard and our Code of Conduct is regularly checked for all subcontractors, the Slovenian suppliers achieved an excellent overall

result. For the coming years, the Italian manufacturer wants to introduce a comprehensive chemical management system in its own factory, which is then expected to be extended to the subcontractors.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Interconf	S	0.04	June 11	
Recinko d.o.o.	S	0.10	June 11	



# ROMANIA

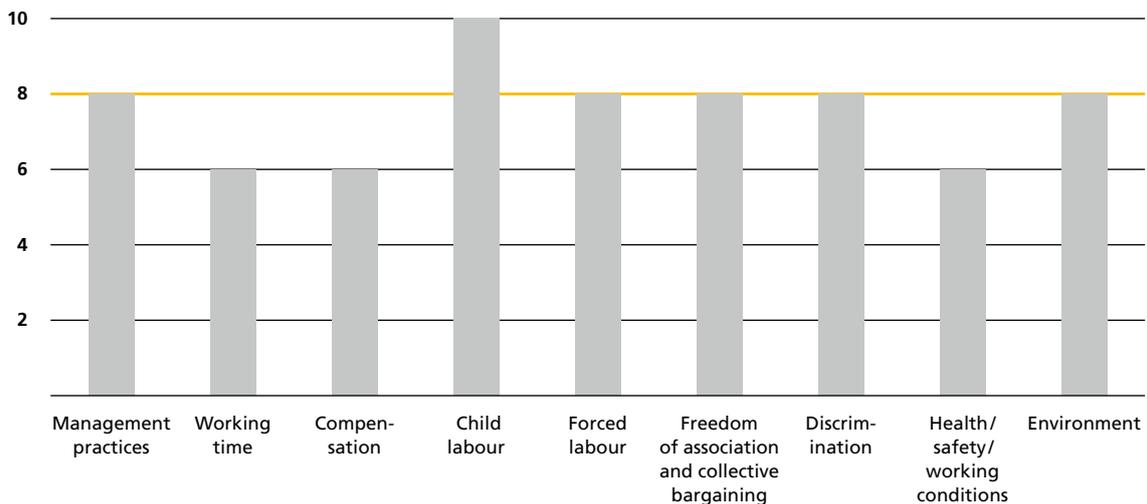


We worked with one footwear supplier in Romania. The partnership was terminated due to the supplier's specialisation in a particular type of shoe and a change in the Jack Wolfskin product range. The last audit was carried out by us in 2011. At that time, it was determined that there

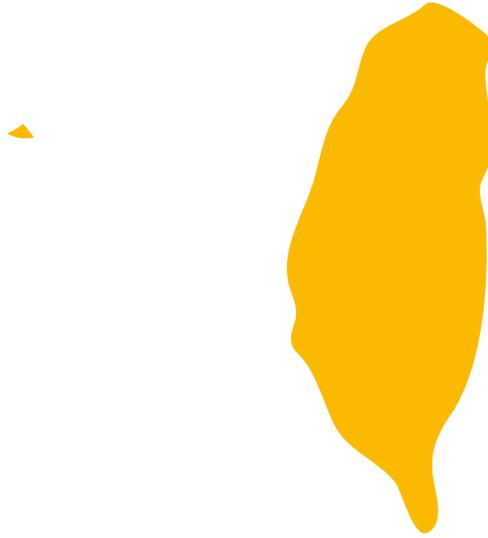
was potential for improvement in the areas of working time, compensation and workplace safety. The supplier has been working on improvements since that time and towards certification in accordance with the SA8000 standard.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Calzaturificio Mondeox S.P.A	H	0.42	July 11	

Suppliers in grey: collaboration has already been terminated.



# TAIWAN

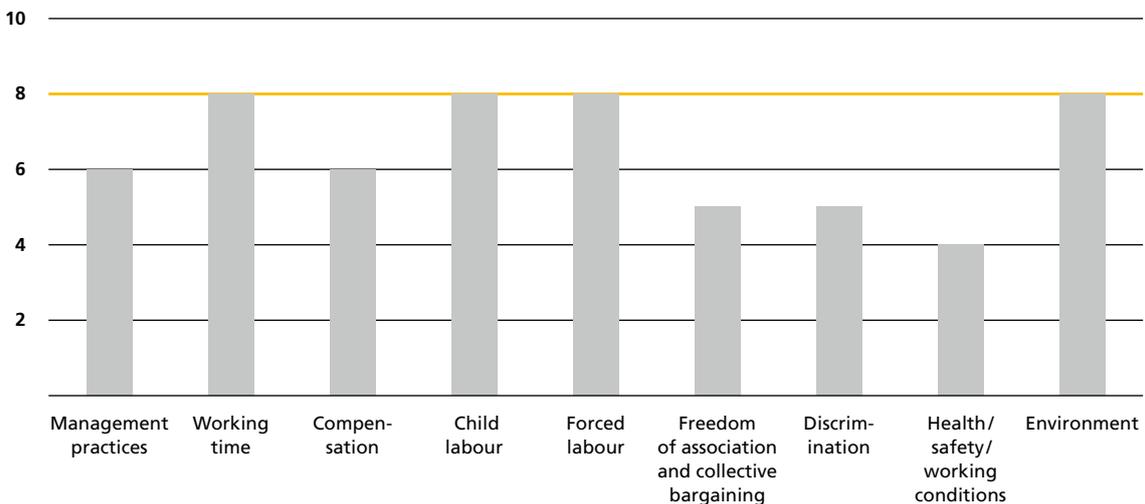


The results of the last audit show that the supplier needs to make particular improvements in the areas of freedom of association, workplace safety and discrimination. With regard to freedom of association, this supplier has been downgraded in comparison to the previous audit, as the employee representative had not been freely elected and held a managerial position. As regards workplace safety, there are failings in the correct labelling of chemicals, and in certain

departments where no ear protection is used, the noise level was deemed too high. In terms of discrimination, a downgrade was effected due to unsystematically defined wage categories, meaning discrimination could not be ruled out with absolute certainty. However, many of the failings identified can be resolved relatively easily. Since the audit in 2011, this supplier has been able to improve its average score by two points.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Feng Yi Outdoor Leisure Equipment Enterprise (Foam Tex)	H	0.04	Nov 14	

Suppliers in grey: collaboration has already been terminated.

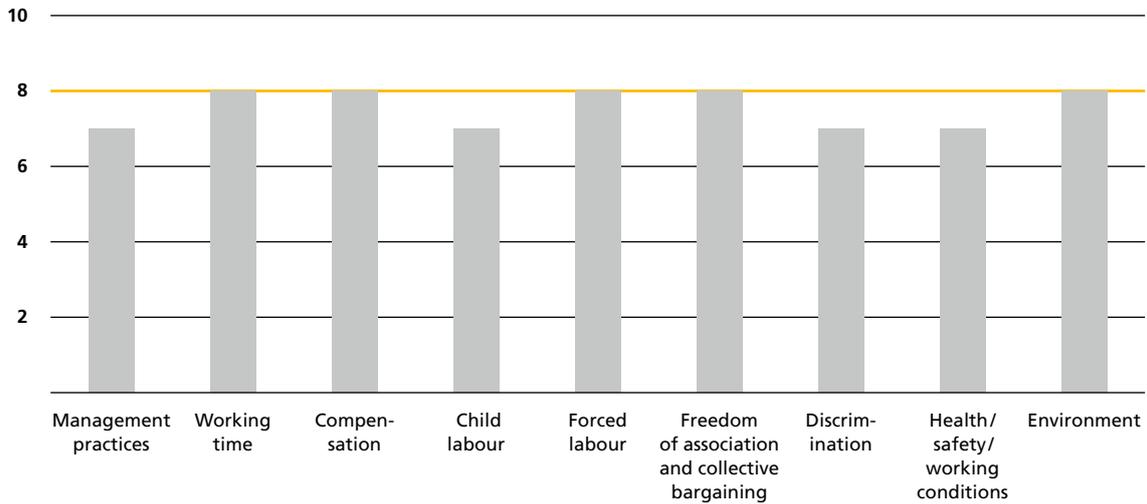


# TURKEY



Our supplier in Turkey has gradually improved since 2009. It now has an excellent score in almost all areas (score of eight = requirements of Code of Conduct satisfied completely).

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Pantera IC VE DIS TIC Ltd.	H	2.53	Sep 14	



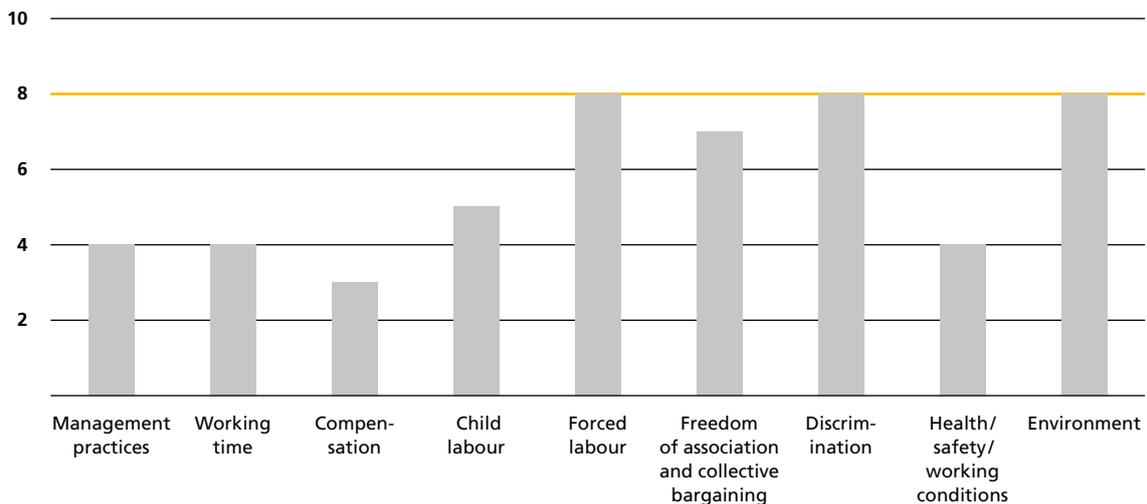
# SOUTH KOREA



The supplier in South Korea is very small, with a total of just 14 employees. The majority of those who work there are housewives who supplement their household income with sewing work. The workers decide for themselves when and for how long they take breaks, in order to accommodate their work and family obligations. For example, some of the workers go home during lunch breaks in order to cook for their families, whilst others take the shortest break possible in order

to finish their working day sooner. As no time-tracking system has as yet been implemented, it cannot be guaranteed that the workers are adequately paid for the hours they have worked. The company still has a long way to go in terms of implementing social standards. In the future, Jack Wolfskin will keep a particularly close eye on systems for recording working hours and how this is reflected in payment, as well as on workplace safety.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Naschem Co., Ltd.	H	0.04	Nov 14	



# MYANMAR



Production in Myanmar was strictly forbidden by the Fair Wear Foundation up until June 2012 due to the military dictatorship. By adopting this position, the FWF supported the stance of the EU states, as well as both international and local stakeholders. In June 2012, the FWF's position regarding Myanmar was reconsidered due to the elections that took place and the loosening of sanctions imposed by the EU. Since then, FWF members can carry out production of smaller quantities in Myanmar in close consultation with the Fair Wear Foundation and subject to particularly strict requirements.

**“Why does Myanmar still have to be considered a high-risk country that necessitates an increased amount of support and supervision?”**

Although the country has now been fully democratised, the situation is still precarious. Comprehensive reform processes have already been

initiated, but there is still no labour legislation or a statutory minimum wage. As a result of various factors including very low wages, corruption and ethnic discrimination, the International Labour Organization (ILO) currently still views compliance with international labour standards as a significant challenge in Myanmar. In addition, it is very difficult for the Fair Wear Foundation to execute verification processes due to missing structures in the country.

**“Do FWF members have to fulfil certain criteria if they decide to have production done in Myanmar?”**

The FWF has defined a range of criteria that companies with contractual partners in Myanmar must fulfil. From Jack Wolfskin's point of view, this is the correct approach, as it means that there is an opportunity to make the country familiar with the minimum social standards before starting.

Examples of additional requirements that apply to Myanmar:

- Ban on cooperation with factories that have a direct connection to the military.
- Publication of names and addresses of factories.
- Disclosure to FWF of detailed reasons for production in Myanmar and the associated effect on procurement in other countries.
- An audit must be conducted and the audit report, as well as the resulting corrective action plan, must be submitted to the FWF.
- Implementation of measures to promote social dialogue between employees and management, with the aim of strengthening existing trade unions.
- Publication of remuneration at all factories in Myanmar and comparison with available comparative studies.

**“What are the salaries for the factories in Myanmar that work for Jack Wolfskin?”**

Salaries in Myanmar are without doubt still below the living wage level. After our first audits, we discussed this point especially intensively with the producers and introduced a

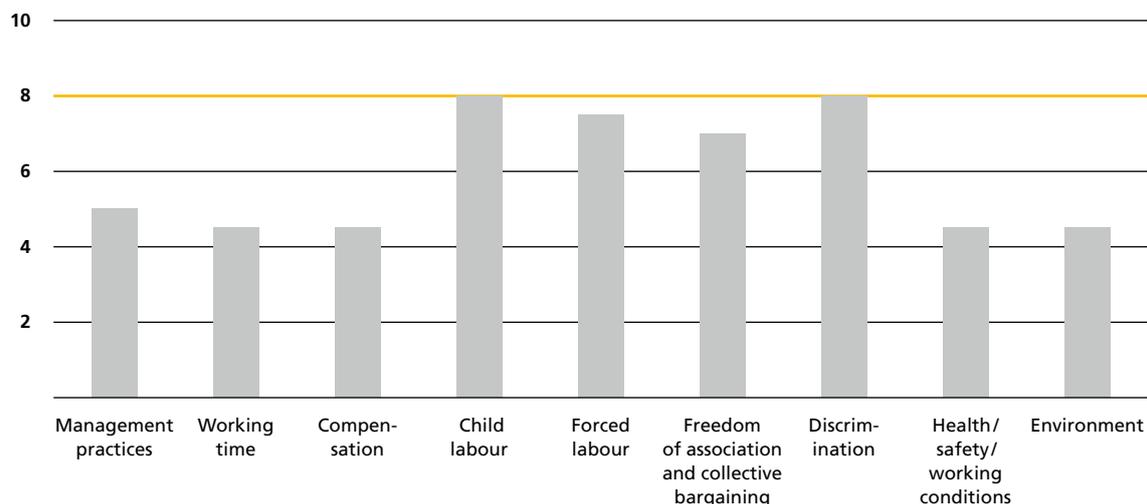
strategy to raise salaries. Just a few months after the first audit, the rate of pay at S.M.C. Garment was increased by up to 24 % as a result of the talks. Another increase to meet the living wage has been promised by the supplier.

As you can see from the ratings graph, the challenges to be overcome lie in the areas of working time, compensation, management practices and health, safety and working conditions, as well as environmental factors. Remuneration in the factories will subsequently be looked at more closely. In general, it was determined that many processes have not been implemented by suppliers and that suitable systems are lacking. There was a downgrade as regards the environment category, as there is currently no waste management system in Myanmar. Such processes must be implemented at state level in order to enable compliance with the standards in the Code of Conduct.

Both suppliers need to implement improvement measures in the area of workplace safety. Top priorities include fire protection, first-aid training and the safety of electric cables, which don't adhere to any security norms and therefore present a hazard for the employees at the factories.

Name of manufacturer		Proportion of Jack Wolfskin purchasing volume in %	Last audit	Rating in our transparency tool
Myanmar S.M.C. Garment	S	0.70	Mar 13	
Northshore Group Co., Ltd.	H	0.66	Nov 14	

Suppliers in grey: collaboration has already been terminated.



## Detailed information on the manufacturers in Myanmar

### **Myanmar S. M. C. Garment Ltd.**

Hmawbi District, Beside Sathwardaw  
Monastery Yangon-Pyay Road,  
Yangon  
Mynanmar

- **Audit: 6–7 March 2013**  
Average monthly wage of a sewer including bonus payments and excluding overtime at the time of the first audit: 41,000 Burmese Kyat (MMK)
- **Subsequent visit: 16/09/2013**  
Average monthly wage of a sewer including bonus payments and excluding overtime at the time of the first follow-up visit on 16/09/2013: 46,330 MMK–50,840 MMK
- **Visit of Jack Wolfskin management regarding social standards in the factory: 20/12/2013**  
The corrective action plan was raised at the highest managerial level and improvement measures were discussed.

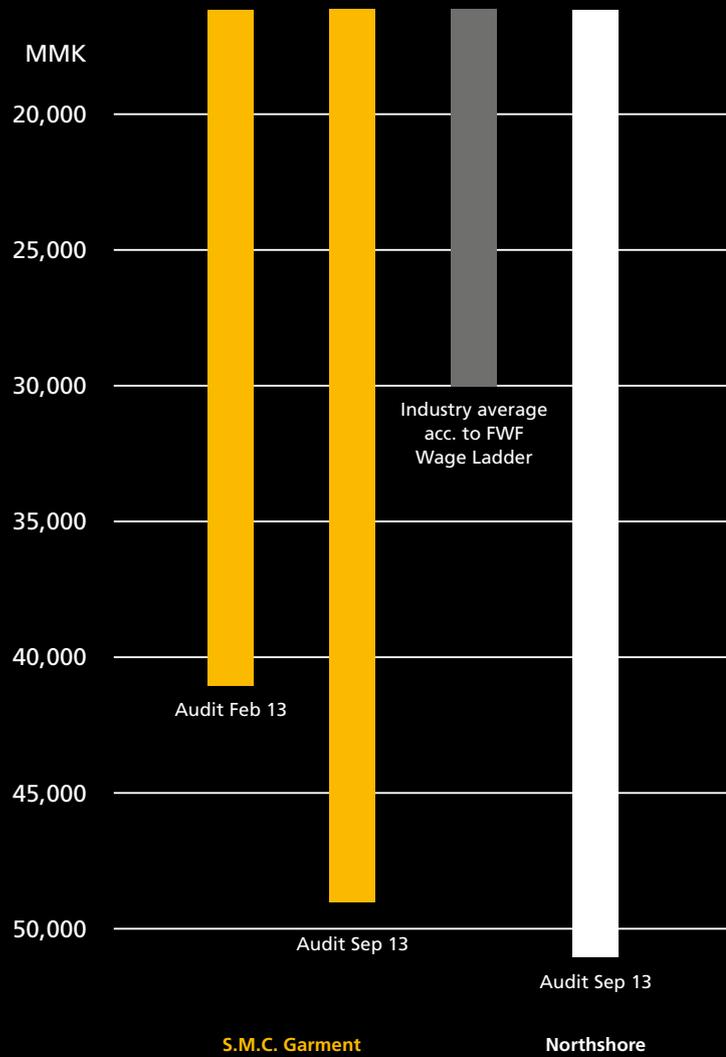
The lowest wage paid to employees at the time of the first audit in March 2013 was 40,000 MMK. As no statutory minimum wage existed in Myanmar at this time and, with the standard wage in the industry of 30,000 MMK serving as a point of reference, this wage was deemed comparatively good. Nonetheless, it was some distance from a living wage at that point in time. At the follow-up visit in September 2013, wage increases of 13–24% had already been determined, which can be classified as a result of the intensive pursuit of the corrective action plan. After a testing phase with intensive supervision from Jack Wolfskin, the working partnership with this supplier has now been terminated.

### **Northshore Group Co., Ltd.**

16–18 Myawaddy Min Gyi Road  
Industrial Zone (4), Hlaing Thar Yar T/S  
Yangon  
Mynanmar

- **Audit: 17–18 September 2013**  
Average monthly wage of a sewer including bonus payments and excluding overtime at the time of the first audit: 51,000 Burmese Kyat (MMK)
- **Visit of Jack Wolfskin management regarding social standards in the factory: 20/12/2013**  
The corrective action plan was raised at the highest managerial level and improvement measures were discussed.

The wages paid in the factory are higher than the average wage in the industry. The average for the garment industry is around 30,000 MMK according to the Fair Wear Foundation. Overtime is paid at 200% of the standard hourly rate and social security contributions are paid for all employees according to statutory requirements.



**Wages at suppliers in Myanmar in 2013**

# COMPLAINTS PROCEDURE

## **“Why do the companies affiliated with the Fair Wear Foundation require a complaints procedure?”**

At first, the term “complaints procedure” can seem very negative. In fact, it describes a positive and progressive process. Only companies who have the courage to deal with the concerns and hardships of their employees want to and are able to transform these processes into positives. And that doesn’t “only” benefit the employees – it ultimately contributes to the success of the entire company. In 2014, Jack Wolfskin received six complaints from employees at manufacturing plants. In 2013, there were only three. We think that the increased number of complaints is a positive sign. It shows that the employees from the manufacturing plants now have confidence in the system put in place by us that their concerns will be addressed at a constructive level and that, in general, they will be resolved together.

## **“How does the complaints procedure work exactly?”**

Jack Wolfskin expects all suppliers to display a detailed description of the complaints procedure in all factories in the language of the employees concerned. This notice contains information on the Jack Wolfskin Code of Conduct and the complaints offices. Employees of the factories can contact the following offices if they are unable to resolve their complaints with their superiors themselves:

- Local employees of the Fair Wear Foundation
- Local employees of the Sumations auditing company
- Headquarters of the Fair Wear Foundation in Amsterdam
- Headquarters of Jack Wolfskin

There is a telephone number, as well as a post and email address for each of the contact points named above. Complaints can be submitted anonymously or with the addition of personal details.

On receipt of each complaint, Jack Wolfskin checks the situation in the factories by questioning the suppliers or with the aid of local, independent inspectors from the Fair Wear Foundation or other organisations (e.g. local trade unions).

## **“What happens if Jack Wolfskin is only one of the factory’s minor clients and has little influence?”**

If the complaint is justified, although the influence of Jack Wolfskin on the supplier is very limited, an attempt to contact other customers of the factory will be made in order to find a solution to the complaint made together with all parties concerned.

## **“Are there any examples of how Jack Wolfskin has dealt with specific complaints?”**

All complaints are published on the Fair Wear Foundation website under the reason for complaint, the views of all parties to the dispute and, of course, the ultimate solution to the conflict.

## **“Why are problems not discovered during the audit?”**

In some cases, the first indications of problematic situations which could lead to complaints at a later time are identified as part of the audit and are directly addressed with the management of the manufacturer. In these cases, suppliers are encouraged to work towards effective solutions quickly. The implementation of improvement measures is supervised by Jack Wolfskin. Another effective way of supervising the process is the complaints procedure described above.



# COMPLAINTS IN 2013 AND 2014

On the following pages, the complaints received by us from workers during the past year have been listed by country.

## China

- 1) Complaint received: 28 October 2013  
The complaint regarded: The payment of a living wage  
FWF complaint report: <http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/2013/ComplaintChinaJackWolfskinVaudeOct2013.pdf>
- 2) Complaint received: 2 and 4 December 2013  
The complaint regarded: The payment of a living wage  
FWF complaint report: <http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/2013/ComplaintChinaJackWolfskinVaudeDec2013.pdf>
- 3) Complaint received: 17 December 2013  
The complaint regarded: Working time  
FWF complaint report: <http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/2013/Complaint-ChinaMammutJackWolfskinHaglofsDec2013.pdf>
- 4) Complaint received: March to July 2014  
The complaint regarded: Payment of a living wage and legally binding employment contracts  
FWF complaint report: <http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/2014/ComplaintChinaAlbiroHagloffsJackWolfskinSchoeffel-VaudeApril2014.pdf>
- 5) Complaint received: 1 April 2014  
The complaint regarded: Legally binding employment contracts  
FWF complaint report: <http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/2014/ComplaintChinaJackWolfskinVaudeSchoeffelHagloffs-March2014.pdf>
- 6) Complaint received: 17 July 2014  
The complaint regarded: The payment of a living wage  
FWF complaint report: <http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/2014/ComplaintChinaAlbiroHagloffsJackWolfskinSchoeffel-VaudeJune2014.pdf>

## Indonesia

- 1) Complaint received: 12 July 2014  
The complaint regarded: Freedom of association  
As the complaint was submitted via our own complaints system, there is no official report from the FWF available. However, we are regularly updating the FWF with the progress of the complaint. In cooperation with another customer of the supplier and the Worker Rights Consortium, almost all aspects of the complaint have now been resolved after initial difficulties.

## **Thailand**

### 1) Complaint received: 1 April 2014

The complaint regarded: Payment of a living wage and appropriate working hours

FWF complaint report:

<http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/2014/complaintthailandJackWolfskinApril2014.pdf>

### 2) Complaint received: 25 August 2014

The complaint regarded: Freedom of association and negotiation and legally binding employment contracts

FWF complaint report:

<http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/2014/complaintthailandJackWolfskinAug2014.pdf>

Both of the complaints from Thailand listed above originated from the same manufacturing plant. These complaints resulted in a considerable drain on resources on the part of Jack Wolfskin, which is why we wish to go into more detail about the process of dealing with the complaints on the following pages. For over 25 years now, Jack Wolfskin has been working with our manufacturer, Lee Lin, which maintains a wide range of subsidiary companies and collaborations with other factories in Thailand. With the introduction of the Code of Conduct, investigations into social standards such as working conditions, wages, etc., were carried out at all production sites of the manufacturer for the first time in 2009. The results of the first audits revealed that the working conditions in some of the factories did not comply with the requirements of our Code of Conduct. In order to support the supplier, a meeting was arranged after the first audits, which took place in October/November 2009, in order to discuss the results of the audit and work on a comprehensive action plan for the coming months. The following timeline shows the work with the supplier on the process to improve social standards and the procedure since the receipt of the first complaint in March 2014.

October/ November 2009	The implementation of the Code of Conduct in all of the manufacturer's factories is examined by independent inspectors.
December 2009	Jack Wolfskin calls a meeting with the corporate management of Lee Lin in Bangkok in order to define a joint roadmap for the improvements required.
March 2010	Renewed compliance visit by auditors to the most critical Yuan Jiou factory in Mae Sot in order to examine the improvement measures enacted so far.
April/May 2010	One-week training course at the Yuan Jiou factory on improving efficiency and production planning (reduction of overtime, wage increases), initiated and financed by Jack Wolfskin.
November 2010	Second round of audits at all production sites in order to check the efficacy of the measures.
May 2011	Personal meeting in Bangkok between the management of the manufacturer and Jack Wolfskin on the problems relating to the implementation of the social standards.
June 2011	Follow-up check by independent auditors in order to assess the status of the implementation in the Yuan Jiou factory.
January 2012	Third round of audits at all production sites belonging to Lee Lin in order to check the efficacy of the measures.
March to September 2013	Fourth round of audits at all production sites in order to check the efficacy of the measures previously initiated and to define further steps where necessary.
December 2013	After further shortcomings, visit from the COO of Jack Wolfskin to the Lee Lin Yuan Jiou factory in Mae Sot. Announcement of last chance for improvement.
March 2014	Complaint from employees of the Yuan Jiou factory in Mae Sot received by Jack Wolfskin. The most important points regarded the topics of working hours, payment, employment contracts and legalisation of workers. As Jack Wolfskin has already been working on the improvement process with the supplier for several months, this matter can be reacted to immediately.
Early April 2014	Jack Wolfskin proactively informs various stakeholders about the complaint and the situation on site.
Early April 2014	Jack Wolfskin promises financial and non-financial support to the factory owners. The unit price of each item ordered is increased by € 0.50 as an emergency measure to support the supplier.
Mid-April to end of April 2014	In order to support the implementation of the improvements required, Jack Wolfskin dispatches <ul style="list-style-type: none"> <li>■ independent observers for a neutral assessment of the situation</li> <li>■ coaches in order to resolve social shortcomings with the factory</li> <li>■ coaches to increase productivity</li> <li>■ the FWF in order to verify the situation and to provide dialogue with the NGOs</li> <li>■ their own employees in order to illustrate the seriousness and importance of the situation to the management of the manufacturer</li> </ul>

May 2014	Various meetings with local and international NGOs in Thailand and Germany in order to discuss the situation and possible improvement measures. It is at this point that representatives from four local NGOs and one international NGO are involved.
Mid-May 2014	The most important improvement measures, such as the payment of a legal minimum wage, were implemented. An observer from the Fair Wear Foundation confirms the implementation of measures on site.
End of May 2014	Productivity training, financed entirely by Jack Wolfskin, starts at the factory in order to strengthen the profitability of the company and to make it competitive whilst complying with all requirements from the Code of Conduct.
End of May 2014	The management of the factory hands over the improved employment contract to the NGOs involved, the workers and the department for employment for inspection. The final contract is to be created using the comments from the parties concerned.
Early June 2014	Four local NGOs send observers into the factory on pay day in June.
End of June 2014	Jack Wolfskin recommends a training course on freedom of association and collective representation between employees and the management of the factory, to be implemented by the FWF. The suggestion enjoys a positive reception and the FWF begins planning.
Early July 2014	As yet, no agreement has been reached between all parties concerned on the subtleties of the employment contract. This situation means that the workers still don't have a renewed contract, which is a particularly problematic situation for the migrant workers.
Early July 2014	Due to low productivity, at just 40–50% of the previous year's values, Jack Wolfskin has to cope with massive delays for their goods.
Mid-July 2014	After the parties concerned agree on the employment contract, the employee representatives sign it. On this basis, the factory manager sends the contract to the Department for Employment in order to have more security on the stability of the agreement before all the employees sign.
Mid-July 2014	The factory announces that it is beginning the legalisation process for the as yet unregistered migrant workers.
End of July 2014	Due to a short-term opportunity to register Burmese migrant workers in Thailand, the process originally planned by the Yuan Jiou factory management is interrupted.
August 2014	The manufacturer says it wants to end the business relationship with Jack Wolfskin if the Code of Conduct is to remain a prerequisite for the partnership. The factory management gives notice that it is seeking new customers and wishes to continue to run the factory according to its own ideas.

Early September 2014	Due to contradictory statements from the factory management, the workers and NGOs, Jack Wolfskin sends an independent observer into the factory for a few days again in order to get an idea of the actual situation there.
September 2014	A second complaint due to the dismissal of twelve workers at Yuan Jiou reaches the FWF.
September 2014	Jack Wolfskin reacts immediately after the dismissal of the workers from the factory is confirmed and demands that the factory management revokes the unlawful dismissals immediately.
September 2014	Jack Wolfskin learns from the independent observer that the manufacturer is experiencing liquidity shortages and that this has resulted in a delay in wage payment. Jack Wolfskin reacts without delay and pays the manufacturer for outstanding deliveries in advance.
October 2014	The factory management makes it clear that it wishes to run the factory according to its own ideas in the future. No more orders for the 2015 summer collection from Jack Wolfskin are accepted whilst compliance with the Code of Conduct remains insisted upon.
End of October 2014	The factory management states for the first time that a factory closure in December 2014 is being considered. Shortly afterwards, the employees are given notice of the upcoming factory closure in mid-December.
Mid-November 2014	The executive board of Jack Wolfskin meets with the management of Lee Lin in order to ensure that the salaries and redundancy payments for the workers are paid in full when the factory closes. Jack Wolfskin promises to provide the factory with financial support as long as the requirements regarding statutory payments are complied with.
December 2014	The factory is closed as advertised on 10/12/2014. All workers receive their salaries as well as the legally stipulated redundancy pay.

It is clear to see that Jack Wolfskin began to combat undesirable developments promptly thanks to the findings of the 2009 audit in order to improve the situation for the workers in the company. This was attempted with the aid of supportive measures, such as training for the management, the local CSR representatives and employees. Furthermore, by increasing productivity, working hours were to be reduced and wages were to be raised to a living wage in the long term. The legalisation of all workers at the production site in Mae Sot, as well as improvements to the company's own accommodation for the workers was already another key challenge in 2010. During all the years that Jack Wolfskin attempted to push for improvement measures at the manufacturer, specially trained CSR employees and the executive board at Jack Wolfskin continued to visit the production sites. The primary aim of these visits was to illustrate the significance of social issues and to create a link between practical implementation and economic factors. Unfortunately, the preventative measures which we had pursued with the supplier for more than six years and in which we had invested an enormous amount of time and money did not achieve the desired results. Jack Wolfskin has no direct influence on the business activities of suppliers, it is only able to have a positive impact on the supplier. Therefore, improvements are not always implemented according to our expectations. We have always followed the principle of not giving up on a supplier at the first sign of difficulty. We tirelessly attempt to improve working conditions for employees at production sites so far as we are able. However, we are not always able to persuade the owners of our principles. In this case, the factory ended its business relationship with Jack Wolfskin itself, after many years of working together. Unfortunately, the supportive measures did not lead to a mutual success story.

#### **Particular challenges in this case:**

- 1) Communication in six languages (Thai, Burmese, Chinese, English, German, Dutch)
- 2) The number of organisations involved, some of which had differing priorities.
- 3) Persistent mistrust between the parties involved, which could not be significantly improved despite positive developments.
- 4) Misunderstandings in communication due to the language barrier led to additional potential for conflict and a lack of confidence.

**“At the beginning, I was sceptical of whether the WEP would be of use in my business. In hindsight, however, I would recommend that anyone who is offered the opportunity to enrol their employees in a WEP should seize this chance!”**

Manager of a factory in China

# WORKPLACE EDUCATION PROGRAMME (WEP)

The WEP is one of the training measures initiated by the FWF for workers and managers at production sites. With the help of experienced coaches, effective methods for meaningful communication about problems in the workplace are developed. The programme is supported by the Dutch government and is currently offered in India, Bangladesh, Turkey and China. Due to its success, extension to other countries has been planned. The complaints procedure of the FWF plays an important role in the WEP. Employees are shown how they can make use of external assistance if a problem cannot be resolved internally. To do this, small information cards are distributed in the relevant national language, listing the procedure, the key points of the Code of Conduct, contact partners and a telephone number.



Chinese information card about the complaints system for employees

Jack Wolfskin has already initiated WEP training courses for four manufacturers in China. The reactions from the factory management to our suggestion to train the employees in the Code of Conduct, communication and the complaints procedure were rather cautious, as was expected. Once the WEPs had taken place in the factories and both managers and workers had been trained by the experienced coaches from the FWF, we received consistently positive responses. A highly noticeable effect of the WEP training courses is the rise in the number of complaints. This is not due to working conditions suddenly deteriorating; rather, the increase in the number of complaints demonstrates the increased confidence of the workers in the system.

As follows from this report, we had an unusually high number of complaints in the 2013/2014 period in China, which originated mostly from manufacturing plants where a WEP had already taken place.

## How does the WEP benefit the workers in a factory?

As part of the WEP, workers from the factories are told about the content of the Code of Conduct. Details are provided regarding their rights and obligations and for a contact person if direct communication with their superiors fails. Furthermore, the coaches discuss which form of communication works best with the workers and how a diplomatic approach without accusations can contribute to a constructive solution to conflicts.

## How is this useful for the factory owners?

It is clear that in factories where constructive dialogue has been established with the employers, job satisfaction is significantly higher and staff turnover is lower. This means that highly qualified employees can be retained whilst improving productivity and quality. These are unequivocal competitive advantages for which it is worth releasing participants from their duties during the training period. Naturally, the management is also trained in constructive communication in cases of conflict.

## Which manufacturers have already received WEP training?

To date, four Chinese factories have participated in WEP training courses:

- Hsuan Sleeping Bag Factory – 31/07/2013
- J.F.C. Apparel Ltd. – 28/10/2013
- Wai-Wah Skiwear Factory Ltd.– 19/11/2013
- Jiangsu Asian Sourcing International MFG Co., Ltd. – 25/08/2014

# TARGETS AND TARGET ATTAINMENT

Targets set for 2013/2014	Measures carried out to attain targets	Status
<p>Carry out social responsibility audits in Bangladesh with a focus on fire safety and building safety</p> <p>Additional inspection of the factories by statics experts</p>	<p>In March 2013, all suppliers in Bangladesh received training in fire protection and building safety from the Fair Wear Foundation.</p> <p>In addition, all factories in Bangladesh working with Jack Wolfskin were audited in 2013. The focus of these audits was fire protection and building safety in accordance with the requirements of the FWF.</p> <p>Statics assessments and reports from "Accord" were submitted to the FWF.</p>	✓
<p>Creation of a fire protection training plan, ideally in cooperation with the FWF, and completion of training by our Bengali manufacturers.</p>		
<p>Advanced training of Jack Wolfskin employees to comply with the SA8000 standard with regard to fire and building safety</p>	<p>On 27 April 2013, both SA8000 auditors from Jack Wolfskin received the additional certificate "Fire and building safety".</p>	✓
<p>At least two suppliers were persuaded to participate in the Workplace Education Programme from the Fair Wear Foundation.</p>	<p>In 2013/2014, four suppliers from China participated in the Workplace Education Programme from the Fair Wear Foundation. Jack Wolfskin gets 8% of its purchasing volume from these suppliers.</p>	✓
<p>Drive forward with audit partnerships with other members of the FWF, or other brands with the same suppliers.</p>	<p>In 2013 and 2014, 16 social audits were organised or subsequently shared with other FWF members and other brands in order to avoid multiple audits and to work together on a corrective action plan.</p>	✓
<p>Disclosure of the production facilities</p>	<p>In 2014, all production sites and their subcontractors were published on the Jack Wolfskin website along with their full names, addresses, number of employees, date of the last audit and audit results. <a href="http://company.jack-wolfskin.de/unternehmen/lieferantenkette.aspx">http://company.jack-wolfskin.de/unternehmen/lieferantenkette.aspx</a> In addition, the supply chains for the fabric and trimming suppliers, each with their own ratings, can be viewed online.</p>	✓
<p>Consolidation of the comprehensive supplier evaluations</p>	<p>All suppliers are regularly assessed by the relevant divisions. These assessments are discussed in detail with the suppliers in order to work on and implement plans for corrective action in order to better exploit potential.</p> <p>Positive developments on the side of the supplier can thereby be worked into the commissioning process.</p>	✓
<p>Creation of an internal analysis system to ensure a fair wage in production facilities.</p>	<p>The wages of all manufacturing plants are permanently supervised by Jack Wolfskin and contrasted in a matrix. This is then followed by meetings with selected suppliers with the purpose of securing a living wage.</p>	✓

# ***OUR AIMS FOR 2014/2015***

## **What have we resolved to do in the next financial year?**

- Launch a social standards project in Myanmar.
- Support a living wage project together with the Bundesverband der Deutschen Sportartikel-Industrie e.V (Association of the German Sporting Goods Industry) and the Fair Wear Foundation.
- Implement more steps towards the traceability of responsible trading through Jack Wolfskin using our transparency tool.
- Involve more suppliers in the Workplace Education Programme from the FWF.
- Supplier selection and prioritisation for order placement by means of inter-divisional supplier ratings.
- Guarantee health and safety measures in the upstream supply chain.

# AN OVERVIEW

For many years, Jack Wolfskin has regularly supervised and supported all production sites with the implementation of the Code of Conduct. We send our auditors into the factory before we begin working with new suppliers. This allows us to rule out the possibility that we are entering into a business relationship with suppliers who cannot or will not comply with our standards.

We are currently working with 79 suppliers whom we constantly support in order that they achieve the best performance possible. This not only applies to the technical implementation of our products, but also to the continuous implementation of and compliance with social standards. It is for this reason that we have undertaken **78 audits since 2013** and spent **over 144 audit days** in the factories. This has resulted in **over 1,200 pages** of the **audit report**. Furthermore, we have invested **more than 3,000 hours** in pursuing plans for corrective action and working actively with our suppliers on improvements.

These efforts pay off for all sides. **Employees at one of the production sites working for Jack Wolfskin in Bangladesh receive a monthly wage (without overtime) which amounts to 365 % of the legal minimum wage.** Around 20 % of the total quantity ordered by Jack Wolfskin is produced in this factory. Over 8,000 people work

there and staff turnover amongst employees amounts to less than 5%, which is extremely low for Bangladesh. In addition, the manufacturer provides additional services such as a nursery, comprehensive medical provision for employees and a canteen.

**Anyone can get an insight into our supply chain and call up a great deal of information on our suppliers using our transparency tool** (<http://company.jack-wolfskin.de/unternehmen/lieferantenkette.aspx>).

In 2013 and 2014, **comprehensive training sessions were carried out in retail on the topic of Jack Wolfskin's social and environmental standards.** To this end, we visited eight cities in Germany and addressed several hundred retailers. It has now been established that we train our new employees in all aspects of sustainability.



# GLOSSARY

## Accord

ACCORD is a legally binding agreement for fire protection and building safety which was signed by over 150 clothing companies from 20 countries, two globally active trade unions and various Bengali trade unions in 2013. The ACCORD agreement was signed as a reaction to the factory collapse in Bangladesh in 2013 where over 1,100 people died. It is an independent agreement to guarantee that all clothing factories in Bangladesh can offer safe workplaces. Independent safety inspections in the factories and a public report on the inspection results are included in the programme.

The International Labour Organisation (ILO) independently presides over ACCORD.  
<http://bangladeshaccord.org/>

## Alliance

The Alliance was founded by a group of North American clothing companies and retailers with the aim of guaranteeing workplace safety in Bangladesh. The parties concerned have compiled a five-year plan, which should be transparent, results-oriented, quantifiable and verifiable in order to improve the safety in Bangladesh's clothing factories in the long term.

<http://www.bangladeshworkersafety.org/about/about-the-alliance>

## Audit/social audit

An audit consists of checking that various standards are complied with at a production site. Jack Wolfskin carries out social audits of its manufacturers regularly. The manufacturers receive a visit from independent auditors who check that the social standards described in the Code of Conduct are being observed. Auditing includes checking documents such as payrolls and timesheets, as well as making tours of the factory to inspect safety-related factors. In addition, meetings with the management and the workers are conducted in order to identify and verify weak spots. A social audit is generally used to check and assess observance of the Code of Conduct. If there is need for improvement, the manufacturer will receive a corrective action plan, which must be implemented within a given period of time. An audit lasts one to three days, depending on the size of the supplier, and is carried out by two or three auditors. At least one of the auditors is fluent in the national language.

## The bluesign® system

The independent bluesign® system pursues a unique approach to minimise environmental impact throughout the production process. For you as a consumer, the bluesign® system guarantees the use of sustainable ingredients in a clean process at which end stands a safely manufactured product. As a result, the textile industry manages the natural resources soundly and responsibly, reduces water and air emissions, improves its waste water treatment and generally reduces its ecological footprint. With this holistic approach, the bluesign® system unites all partners of the textile industry in order to realise environmentally friendly and sustainable textile production worldwide.

Source: <http://www.bluesign.com/consumer/how-does-it-work#.VJGHI010xes>,  
last edited: 17/12/2014

### **Corrective Action Plan (CAP)**

CAP stands for Corrective Action Plan. Manufacturers always receive a corrective action plan after an audit if certain points from the Code of Conduct are not complied with fully or in part within the factory. Initiatives and time frames in which the failings found must be resolved are discussed with the manufacturer as part of the audit's final meeting. The implementation of corrective action plans is supervised by Jack Wolfskin at regular intervals.

### **Multi-stakeholder initiative (MSI)**

Multi-stakeholder initiatives are comprised of several interest groups, mostly from the state, business, non-governmental organisations and civil society. Together, they help to solve complex problems using their individual expertise and bring new issues to the agenda in an attempt to find a feasible compromise for all parties. The Fair Wear Foundation is a multi-stakeholder initiative involving companies, trade associations, NGOs and trade unions.

### **NGO**

NGO stands for non-governmental organisation. NGOs are organisations or associations that represent non-governmental interests. With regard to textiles, the Clean Clothes Campaign (CCC) is probably the best-known NGO, with a number of supporting organisations worldwide. It organises campaign work and is represented in the multi-stakeholder organisation, the Fair Wear Foundation.

### **Fair Wear Foundation (FWF)**

Fair Wear Foundation (FWF) is an independent, non-profit organisation that works with companies and their suppliers to improve labour conditions for workers in the textile, apparel and footwear industry. The FWF checks the progress of its member companies in the implementation of social standards. The FWF supports member companies with the aim of establishing efficient, sustainable systems for their members through an exchange of expertise, the construction of networks and by establishing a social dialogue within the industry.

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