

Social Report 2015

ALBIRO HOLDING AG

Switzerland

Brands:



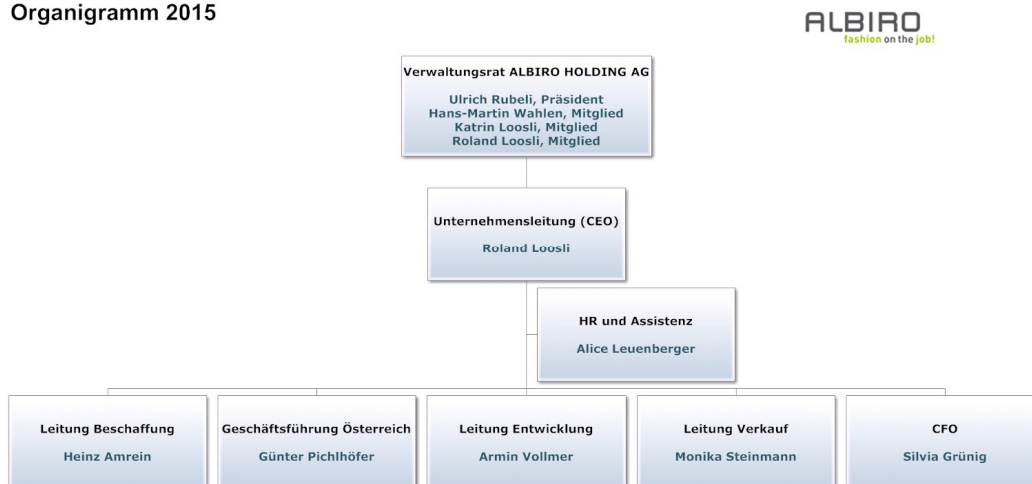
www.albiro.com

Start date membership 13. June 2012

Reporting period (financial year) 01.01.2015 - 31.12.2015

Organisational chart

Organigramm 2015



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Summary: goals & achievements 2015

Describe what you have achieved in the past financial year in terms of implementing the FWF Code of Labour Practices along your supply chain.

Include a statement from the most senior decision maker of the organisation about the relevance of improving labour conditions to the organisation and its strategy.

Describe broader trends affecting the organization's sustainability strategy.

Briefly list key events, achievements and failures during the reporting period related to social compliance.

Preface

The ALBIRO Group is an owner-managed company and exists since 189 years and as such the company has always pursued an ethically correct attitude and works according to the principles of the ILO and by its own Code of Conduct.

With the various domestic and foreign acquisitions in recent years, new people from different cultures and with different views came into the ALBIRO group. Transparency, sustainability and social responsibility outside of our headquarters in Switzerland became a holistic commitment.



The cooperative and pragmatic approach of the FAIR WEAR FOUNDATION as a multi-stakeholder organization has impressed us from the start. Since June 2012, we are now a member of the FAIR WEAR FOUNDATION. Becoming a member of FWF is a important milestone for us and of great importance. Our ethical attitude towards partners and suppliers is being regularly verified with the help of FWF.

During past financial Year 2015 we could improve our production planning w the new SAP System. Main problems in production preparing could be addressed and solved.

The strategic purchasing could fix contracts covering the financial needs of the fty in case of less production. Our fty's relay to 100% on our orders, we need to ensure, that we keep the business smoothly running to pay the upgraded wages. All our fty partners pay more than minimum wages.

In Bosnia we supported the first certification regarding SA 8000 Social Standard of the SAI.

As member of the BSCI, we also included fty's in non FWF countries in our monitoring, as the new standard BSCI 2.0 gives a better survey in a skilled database.

The biggest challenge actually is given by the market. The customers don't like to pay for sustainability and tenders are chosen following the lowest price.

However we will go on working together with Fair Wear Foundation on the project Living Wages for our production partner in Macedonia, developing a sustainable way for a payment of higher wages in 2016.

Hopefully fairness and quality finds its chance on the market in the future.

The ALBIRO Group strives continuously to meet the stringent obligations of it's commitments made for a sustainable CSR.

Roland Loosli

CEO

1. Sourcing strategy

1.1. Sourcing strategy & pricing

Describe the sourcing strategy of your company.

ALBIRO sourcing is aligned according to the following 3 groups:

- Group 1: Own product development with sourcing of all raw materials, produced in our production partners factories. Here we calculate CMT and make an annual price agreement together with the factory for each style.
- Group 2: Purchasing of ready-made garments according to ALBIRO designs and ALBIRO Brands labeled - without ALBIRO sourcing the raw materials. This kind of product we call full purchasing and prices are calculated with FOB. Materials are confirmed by us, so we know about the Main Material prices as well.
- Group 3: non-ALBIRO labeled ready-made garments – Suppliers with FWF or BSCI Membership are preferred. This part of products means low order quantity and lots of special products to complete the business collection of the customers.

1.2. Organisation of the sourcing department

Describe the sourcing department.

The ALBIRO Sourcing department is split in strategic and operative purchasing. The strategic purchasing rechecks and approves new sourcing partners and cares for the given standards. Together with the CSR placed in the headquarter in Sumiswald, Switzerland, this guarantees a tight work and observation of the suppliers. As the sales is in two different countries and the production materials are arranged in Austria, the operative purchasing is situated in Austria as well.

Switzerland:

The head office of ALBIRO is placed in Switzerland. All strategic decisions are done here. The purchasing strategy is an own department, caring for our duties regarding ISO 9001 supplier development including social and environmental commitments. There the newly suggested suppliers are visited, chosen and confirmed. The procedure is fixed in a process in the ALBIRO management system, following ISO 9001.

Also placed in Switzerland is the head of production planning. So the person taking care for CSR of ALBIRO and the production management are nearby to improve the order sizes and the delivery quality for the production site continuously.

In general, development, production planning and purchasing are closely working together.

Austria:

ALBIRO has a purchasing department at ALBIRO Austria for fabrics, accessories, non-fabric clothing materials, packaging and other materials. They prepare all production deliveries for ALBIRO Group and purchase the ready made garments for the European market. The approval for new suppliers follows the given regulation and needs to be rechecked and approved in Sumiswald, Switzerland as well.

In Austria we have a production department, caring for the technical side of the production, supervising the clothing manufacturers during the production phase.

ALBIRO Austria also arranges the deliveries to the production site, including In- and Export Department and raw material warehouse.

They care for development and sourcing articles group 3 for Austrian customers by themselves, following the given regulations of the ALBIRO Management System.

1.3. Production cycle

Describe the production cycle

ALBIRO has production partners in three countries, working 100% only ALBIRO orders. Here we care for enough business during the year. As we have catalogue articles and annually planned deliveries for big customers, we have no seasonal gaps.

Our main challenge is the sourcing of materials when tenders are given and the organisations need the garments in a short term. Therefore we book capacities and materials in advance, if possible. This way of business will always give a challenge to the production planning.

The brand FRENCYS focus on Winter garment for skiing, so here we have a seasonal production. But this is easily to book and starting 2016 we will produce this garments in our own factory in Hungary, due to less orders.

1.4. Supplier relations

Describe whether you have selected new suppliers last year. If so, describe the selection process of new factories.

As new supplier we order from a FWF audited company in Turkey. This was chosen following the given regulation of our Management System in visiting first, filling in the internal checklist that includes the request for FWF Questionnaire and then placing first order for testing.

In case you have terminated relationship(s) with supplier(s) last year, describe the process and reasoning behind it.

For 2015 we didn't terminate relationships with suppliers. Some orders became less, because we lost the customer or changed the catalogue articles. One factory in Romania was sold and we informed them that we will not continue business with them in 2016 due to less orders. Anyway the new owner signed the FWF questionnaire.

1.5. Integration monitoring activities and sourcing decisions

Describe the way in which (the outcomes of) your monitoring activities influenced your sourcing strategy in 2015.

Our production partners working for us are long term already, the monitoring is closely followed up by us.

For articles group 2 we still follow the way to concentrate on less production partners in Asia, but we also need to follow the ISO 9001:2015 Risk management. Even we hv less order quantity, we will keep intermediates w fty in Vietnam and China, having SA8000 or being member of BSCI. Intermediates w less influence in the fty and difficult communication, we will move the products to another fty. They will be informed in time, but they are aware about this development already. Actually it is one intermediary, who has no support frm fty side, to improve the situation of overtime. We will visit them in 2016. We are rechecking the products to be sourced in another already approved fty, once there is no support of CoLP frm fty side.

State how supplier code performance was connected with sourcing decisions, including policy for termination and selecting new suppliers.

In 2015 we had no short term decisions to make regarding code performance. Audit reports hv been given to the fty or intermediary for improvement. Only one intermediary is under observation to move the products to another supplier once there is no support.

When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?

Main tensions arise between the market price and the FOB calculated by intermediate. Also the aim to pay higher wages is always in conflict with the investment into production. We support the fty with knowledge and discuss this issues internal to show the difficulties to our head management. This is a learning process we not yet finished.

2. Coherent system for monitoring and remediation

Please read the accompanied guidelines to see what we expect in this section.

Describe per country (one country per paragraph) and per factory¹ your monitoring activities and outcomes and how you followed up on Corrective Action Plans. Also describe how workplaces are selected for auditing.

If you source from more than 15 factories in the same country, you have the option of summarising the outcomes per country rather than per factory.

Report the most important findings per FWF labour standard. See the guidelines.

Specifically about the use of the FWF Wage Ladder: what conclusions can you draw from the Wage Ladder?

If applicable, explain your additional activities regarding your sourcing and monitoring in Bangladesh and Myanmar. Please refer to the Myanmar Position paper and the Enhanced Monitoring Program for Bangladesh to see what additional actions are needed.

2.1. Morocco

In Morocco we have a 100% production partner producing work wear only. They are under monitoring with BSCI 1.0. audit result GOOD. Due to BSCI Standard changes, we will have an audit BSCI 2.0 within 2016. Total aim is SA 8000 starting implementation in 2017.

For living wages we interviewed some workers already in 2014 to have an aim to face. In Morocco the payment is by time rate, not pc rate. So the minimum wage is by hour and the working time is 44hours per week. The Moroccan King increases the minimum wage annually around 5%. The upcharge in the wages follows skills and experience and taken responsibility. We could help to increase the productivity to find the additional money in the fty by supporting credits for skilled machines.

Additional services for health are provided like eye checking including eye glasses once needed, blood pressure and diabetes tests. They have a doctor coming every week using an own room for consultations.

The management arranges courses against analphabetism together with the workers committee. Such costs will be shared w ALBIRO.

Because of the difficult mentality in this Arabic country, the German and Moroccan Owner avoid to use overtime. Only in special cases they ask for voluntarily provided overtime including a higher wage payment. The brothers of the female workers sometimes don't trust that the women are working longer and treat them for not coming home. So this is a very sensitive issue and taken carefully from the management.

The wage ladder didn't provide figures for Morocco, but we used it in 2014 to find an aim in average salary as target for the management. For SA 8000 we need to manage an average industrial wage as minimum.

2.2. Macedonia and other countries

In Macedonia we have one supplier with several subcontractors. The technical preparation and final checking is with our direct partner. Our relationship bases on 100% ALBIRO orders.

The Partner of the main supplier joined the Living wage project of FWF. We will support the financial side in 2016 to see the possibilities for the main production. Anyway they pay more than minimum wages. Also we provide knowledge for improvement of productivity.

As there has been already a BSCI audit before and two FWF audits meanwhile, the list of improvements became short. Changes in management and worker representatives need to be adopted first and to find its place. First step in training is done meanwhile, w help of FWF implementing WEP in Macedonia.

Some Subcontractors have major problems with their building, we patiently wait until the construction side is finished to go on with implementation of improvements and to complete the audit. One supplier we needed to suspend, bc his building wasn't approved for industrial use. The choice of very small fty's on country site brings work to the people, but needs to take a big effort for a small earning for the fty owner. So this kind of fty needs to be observed w special care.

The workout for the CAPs is directly possible and done with the head of production in Austria. Because we already provided the Worker Cards w telephone no in 2014, the workers are aware of their rights.

The wage ladder for Macedonia contents lots of living wage averages, but the handling wasn't really helpful. So we showed FWF the difficulties and used the figures given in the project to find the first step towards living wages in 2016 in Macedonia.

Bosnia

In Bosnia we have two fty's partners working our orders. One is a small leverage bc the owner wanted to learn about work wear, so we started in a separate floor to sew work wear for hospitals in Austria. For this part of the building we give orders 100%, but small capacity in total.

In 2015 they implemented SA 8000 and got the certificate. This is observed every 6 month. SA8000 requires a plan to pay living wages and at least industrial average. The needed average wage is calculated during the audit process, following the region, the fty is situated.

The other fty works 100% trousers for work wear. They had first time an BSCI Audit 2.0. Due to Result D, we already arranged the next audit in 2016. They gave fully information in fulfilling the given remediation plan. For BSCI this is done in the database and needs some training first. We will see in the next audit result how the solutions are implemented.

That intermediary works tightly with the fty together, so we have the total support to aim SA 8000 latest in 2017.

Hungary

ALBIRO has an own production site in Hungary. It is a small capacity mostly used for customized Skiwear and samples. But the technical equipment is very skilled. So they are able to supply laser cut accessories and optimized markers for our production partners.

Turkey

In 2015 we expanded our Turkish sourcing with a FWF audited fty. After testing with first orders, we include them in 2016 in our production capacity. We will tighten the monitoring there, starting w a visit to evaluate the first audit results there.

Our already longer term production partner will be unchanged, he is coming frequently to Switzerland and we have a good contact for development of new products. There are two partners needed in Turkey, to lower the risk in this country.

Others in Europe

Finally there are production sites in Slovakia working our orders. Some exclusively for a high end PPE customer, producing fire brigade protection garments. They are monitored tightly by the customer. The main fty is audited by BSCI and monitored frm two brands together, one of them is ALBIRO.

As they have big problems in Slovakia to find new young people working in the garment fty's, they pay much more than legal minimum only. The wage payment is included in the BSCI audit results. We also hired a Slovakian technician, continuously visiting the production sites.

In Rumania we have only seasonal orders running, unluckily the sales go down, so we already informed them, that in 2016 we won't have orders for production there. As the fty is sold, they are also reorganizing themselves and can recheck for other customers.

Portugal is a country we can source knitted garments in small order quantity. This partnerships are already long term, even the order quantity is very small.

China, Vietnam and India

For some special orders and products we need to source in Asia. Specially rainwear isn't all available on the European market as material, so we buy the garments w FOB instead of transporting the fabrics to us. Two intermediates with production in China and Vietnam cover our needs in China and Vietnam. They are BSCI member or have SA 8000 in their factories. Two additional agents supply special products produced in China.

In India we source frm a newly certified SA8000 fty. Additional audits by FWF will verify this results in 2016.

In total our leverage in that fty's is small and the FOB changing always, due to tenders and annually orders by our customers. Due to risk management, we need to split the orders but we care to keep and to support already approved fty's.

2.3. External production

If applicable, describe which monitoring activities were conducted at suppliers of "external production". External production = finished goods which are bought by affiliate from other brands for resale in a retail or wholesale (web) shop owned by the affiliate.

Affiliates generally have limited influence over the sourcing behaviour of external brands. However, FWF believes it is important for affiliates that have a retail or wholesale arm to at least know if the brands they resell are members of FWF or a similar organisation, and in which countries those brands produce goods. If applicable, please describe how you have collected this information and whether you have sent the FWF questionnaire for external production.

FWF encourages affiliates to resell goods from another FWF affiliate or a member of Fair Labour Association. FWF believes affiliates who resell products should be rewarded for choosing to stock external brands who also take their supply chain responsibilities seriously. Please describe your efforts into ensuring this.

ALBIRO has a sourcing regulation, to become a supplier, the companies need to sign all papers confirming to work with us for FWF, BSCI and bluesign. Also they need to have Oeko-tex 100 certificates on their products. Best is to find a FWF Partner or BSCI Member, which isn't so easy with our small order quantity and needed import to Switzerland.

Bc we are ISO 9001, we also need to care for our existing suppliers, so we switch only in case it is really needed or we need to source new products for a tender. Our suppliers have a direct contact and are visiting us annually.

One of our Suppliers joined FWF, another does STeP. So they also gain from our information about sustainability.

3. Complaints handling

In case there were complaints received at your supplier(s) please describe how you dealt with the complaints.

Describe what you have done to make sure workers at your suppliers are aware of the FWF complaint mechanism.

Report on the policy for receiving, investigating and responding to grievances and complaints.

Is there a system in place to post and monitor information regarding complaints? Have you investigated if the root causes of the complaint are present in other factories, and if so taken corrective action?

Have you revised your sourcing/monitoring practices to address root causes of received complaints?

ALBIRO had no complaints via FWF in 2015. Bc of a tight workmanship together with the factory, it would be no problem for us to investigate immediately. If we are talking about European area, we can go there in short time and contact FWF handler as well to give more details. The language is usually the problem to talk to the worker directly. So we need the help of FWF to understand and to find out what to improve.

For Asia the complaints will be solved together with our intermediates. Up to now we have a good contact to them and they support us regarding the issues of sustainability. Having SA8000 certificate, it is ensured to have a grievance mechanism in the factory in place, to follow up such issues.

4. Training and capacity building

4.1. Activities to inform staff members

Describe activities undertaken to inform and train staff about FWF membership.

All new staff in ALBIRO has a personal training about CSR in ALBIRO. Also all contacts to the suppliers are done via purchasing or production, so the range of persons in direct contact is small. We also have a time schedule for development to ensure the correct production time. Only in special

cases we need to ask for a shorter lead time, then we can postpone our orders due to our own production planning.

Suppliers w orders in FOB can inform about the delivery date, we respect the given time line when starting business.

4.2. Activities to inform agents

Describe activities undertaken to inform and train agents.

Our agents do the communication to the fty, so we fix the production time frame and price level with them. They need to sign the BSCI Code of conduct and FWF questionnaire.

There are not so much agents, so we have a tight contact regarding the leverage and follow up of audit results. projects in development are discussed during their visits and during our visits there. Most of them made their own commitments already.

4.3. Activities to inform manufacturers and workers

Describe activities undertaken to inform and train manufacturers and workers. In case you have participated in any of the trainings FWF offered, please describe the process and results.

Describe strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social performance.

For Macedonia the WEP is available now, we joined immediately.

Other countries like Bosnia and Morocco have no such education, even the FTA doesn't supply trainings there. So aiming SA 8000 we established contacts to consultants to implement the documentation and to train workers and management in 2016.

In Asia we offered the WEP, specially for a long term business partner. Unluckily there is no will to join such a program. Having SA 8000 ensures a basic package of training and documentation. So we are concentrating on suppliers with membership in FWF or BSCI and available SA8000 meanwhile.

5. Information management

Please describe the system for keeping track of progress on the implementation of the Code of Labour practices.

What efforts did you take to identify all production locations, including subcontractors?

In general the findings in audits are management issues and missing documentations. The basic codes are available already. Our price level is high and the products are difficult. At last we trust in the commitments our agents made, to request ftys following the CoLP.

Our agents are asked to inform us, where they produce our products. Others have only one fty for the one kind of product we order.

In this high level product it is difficult to use cheaper subcontractors and to keep the quality same time. Embroidery is seldom, as printing we use transfer usually. We know, that printing is another fty and rain wear ftys outsource embroidery usually.

6. Transparency & communication

Describe the activities undertaken to inform the public in general and consumers in particular about FWF membership and the progress made in the implementation of the FWF Code of Labour Practices.

ALBIRO mentions the membership on the homepage and the e-mail signature. One page of the catalogue is explaining the commitments we made.

Our customers are not directly the end-user, so they need to visit our website to see more of our social responsibility.

The traders are informed via our sales department. In 2016 we will held a traders conference in Sumiswald and inform about sustainability of ALBIRO directly. The Code of Labour practices supposed to be implemented already, when starting w a fty. All others we work directly with the fty or in group 2 suppliers with the intermediates on the findings of an audit. As we have all signed questionnaires, it is clear for them what we are asking for.

7. Stakeholder Engagement

List the stakeholder groups engaged by your company both in Europe and in production countries and the key topics/concerns that have been raised through stakeholder engagement. E.g. trade unions, other NGOs etc.

Did you make use of any FWF stakeholder resources such as a country study or other input?

During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?

ALBIRO keeps its sourcing in the already known countries and chooses partners with FWF audits or BSCI membership. Difficulties in the country will be discussed internal in advance and the fty visited before starting business. The country development is part of our risk management following ISO 9001.

Our partnerships with the ftys are usually older than the FWF membership. Stakeholders data for comparison are requested by our fty management, once needed. But mainly we use the audit results and information and our personal discussions with interested parties in that countries. Due to long term business, the production management has contacts besides our daily business, so we can ask third parties for details.

Unions are usually not available in Morocco and Macedonia, they can not be trusted or they don't exist. This point we are observing and we will support once a solution is possible.

As corruption is still an issue in mostly all production countries for garments, we use the audits to have an real health and safety information. Where FWF isn't available, we ask for BSCI Standards, mostly rechecked by SGS. To monitor the 8 CoLP and the buildings safety is our main concern.

8. Corporate Social Responsibility

If applicable, describe other activities undertaken in the field of corporate social responsibility. Any policy regarding gender or corruption can be added here to when it is not covered in the report.

ALBIRO Foundation – Projects in 2015

Renovation of a School Building in Ruscova, Rumania

We started this Project in 2013. The roof of the building needed to be replaced, three rooms had been renovated and refurbished. October 2015 we could visit the finished building in Ruscova. Here some photos before (left) and after (right) renovation:



Clothes Collection

We spent 150 carton boxes containing 1.2 tonnes of clothes and toys to Rumania in April 2015. The distribution went through Hermann Rauber, living in Zurich. He transports and supplies the donations in Romania.

Here the ALBIRO Foundation Team with Mr. Rauber and his team and the donation-truck in the background.



Christmas Gifts for Romania

ALBIRO Foundation annually arranges Christmas donations, packed as gifts for children in Rumania.

The Presents are bought and packed by the ALBIRO staff and their families. The content is separated in four groups: boys and girls in the age of kids and teenagers. 2015 was the third gift transport supported by ALBIRO staff. The packages have been brought to Zürich, to join the Hermann Rauber Christmas Surprise for children in Rumania.

