

# ALBIRO

**fashion** on the **job!**

## Social Report 2014



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[www.albiro.com](http://www.albiro.com)

Start date membership Fair Wear: June 2012

## Preface

The ALBIRO Group is an owner-managed company and exists since 188 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 coming 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.

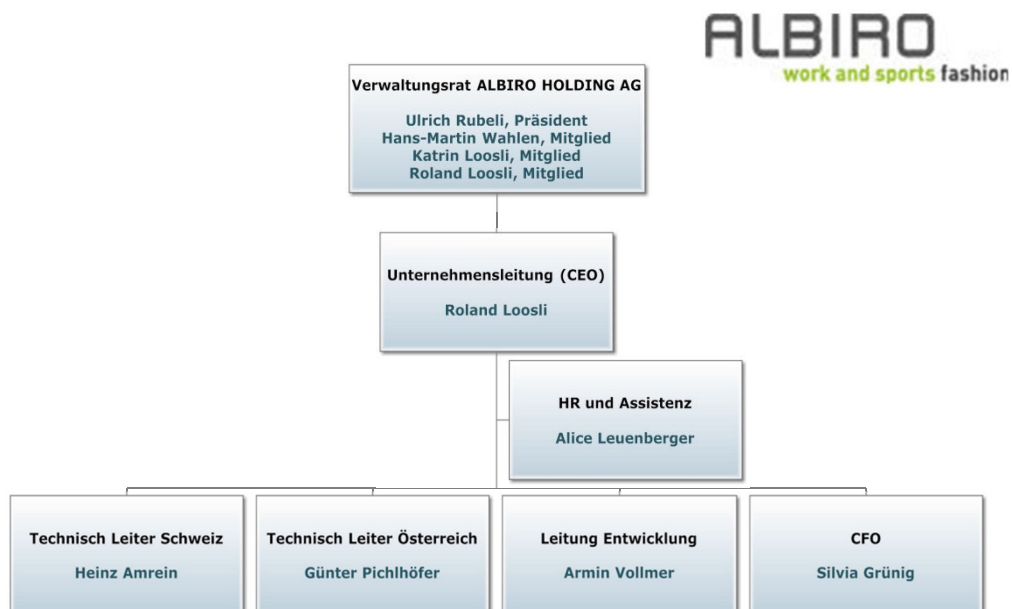
The ALBIRO Group strives continuously to meet the stringent obligations.

Roland Loosli

CEO



## Organizational chart



## 1. Summary: goals & achievements 2014

ALBIRO became a member of the Fair Wear Foundation June 2012. The main focus in 2012 was to have the organization aligned for the obligations coming with that.

We started with intensive monitoring of our main production partners to fill the gaps in social compliance referring to the first Audit reports in 2013. All Asian suppliers were visited to inform about the ALBIRO way with Fair Wear Foundation.

The main focus in 2014 was as well on our suppliers with less leverage and purchasing finished goods. So some suppliers decided in 2014 to care for their social responsibility by themselves becoming their standards audited from third side in 2015. With them we share the auditing costs.

We estimated the possible level of living wages together with our production partners in Macedonia and Morocco in 2014. Same time projects were started to increase the productivity and to recheck the price calculation, to find the money for wage increase. In the European productions the wages increase comes actually from government in increasing the minimum wages. So we are still working on an higher wage level, to ensure the minimum wages for the workers. Also the production site was educated in definition of the minimum wage – this wasn't always clear as the monitoring of the labor costs for the FWF wage ladder tool has shown.

A new ERP System in ALBIRO was implemented in 2013 and started in 2014. This allows to rebuild the production planning department in 2015. SAP can support the production lead time, orders quantity and delivery quality to increase the productivity.

In total we could follow up our factory monitoring regarding Fair Wear Foundation and BSCI standards. We helped three suppliers to care on their supply chain by themselves.

The social side of our CSR is under monitoring and we support the factories with less standard to increase their efforts in following up the CAPs and providing workers training in labor rights and other social projects.

Our concern is the low level, most offers calculate as level of CSR a company has. Especially corporate institutions and governmental organizations in Switzerland require nowadays proof of efforts done to improve social conditions, but as before price considerations seems to be the main driving factor for business.

## 2. Sourcing strategy

### 2.1. Sourcing strategy & pricing

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.
- Group 2: Purchasing of ready-made garments according to ALBIRO designs and ALBIRO Brands labeled - without ALBIRO sourcing the raw materials
- Group 3: non-ALBIRO labeled ready-made garments

Following product groups are being sourced and/or produced:

- Work wear for the industry
- Work wear for professionals
- Weather protection clothing
- Medical and gastro clothes
- Safety wear
- Corporate wear
- Sport wear for professionals
- Working shoes
- Clothing accessories like belts, hats, and so on

The following criteria's for choosing a supplier are used:

- Social and environmental commitments and responsibility
- Quality of the products
- Pricing
- Ability and skills of the management of the supplier
- Skills and machinery of manufacturer
- Impression by visit of a company representative
- Flexibility and agility of product development
- Remuneration type by supplier (no piece work is preferred)
- Financial status of the company

ALBIRO aims for long term relationships with the suppliers in order to ensure quality and supply chain agility.

With some suppliers ALBIRO has a more than 10 year old relationship. Median relationship duration is more than 5 years.

All our A suppliers, especially the manufacturers, should be visited regularly, at least once per year.

## ***2.2. Organization of the sourcing department***

### **Switzerland:**

the head office of ALBIRO is placed in Switzerland. All strategic decisions are made here.

The head of development is also in Switzerland, developing and sourcing new garments, new suppliers and materials following our given regulations in our ALBIRO Management System carefully.

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.

Newly 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 strategy 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.

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 arrange the deliveries to the production site, including In- and Export Department and raw material warehouse.

All new garments or new materials requested for our customers are sourced and developed in Switzerland.

### 2.3. Production cycle

Many ALBIRO products lead to continuous purchasing cycles as these products are not seasonal. As such ALBIRO has the possibility to plan production the whole year leading to flattening of seasonal production peaks.

On the other hand, we do a lot of object business, like participating in a tender. Getting the orders sometimes needs a big capacity, which is difficult to plan from beginning, when placing the offer. Some timelines from customers are very tight.

Here our main sales products:

Brand	Information	Production Time tables
ALBIRO, Marsum, Solida, Frencys Object	Corporate fashion and Tender – business: Clothes per Customer With or without customers stock	Production based on customers orders or negotiated stock minimum
ALBIRO Catalogue	Renewals and additions, as well as “end-of-life”	Continuous: Never out of Stock
Wikland Catalogue	Renewals, additions and end-of-life for summer and winter collection	Continuous: Never out of Stock

### 2.4. Supplier relations

In 2014 ALBIROs supply chain is still broad and complex. But following our responsibility in risk management ISO 9001, we optimize the amount of suppliers carefully.

Products, we can source in Europe, we started to bring back from Asia to Europe. This Project is still actual. For some complicate garments and technical fabrics it is difficult to arrange the quality and the price in Europe, but this needs to be evaluated piece by piece.

Meanwhile we found our key partners and we care for our relationship following our commitments in social and environmental responsibility.

Some production sites haven't been aware of the needs, so we had to make some decisions:

One production we invited to change the building, because health and safety wasn't at any standard and the new building far from finishing – but the production management denied. Due to they have other customers and our leverage was small, we stopped working with this subcontractor.

Another production partner has no appropriate social rooms for the workers, we started 2014 a project to support him finishing the building, he is already using. Our commitment to place orders there will help to finance this construction site. This project will be observed by us, that they oblige all given regulations of the government and keep the needed standards. Coming Audits and worker trainings will be paid by us. In this case we can help to keep the workplaces in the village.

## ***2.5. Integration monitoring activities and sourcing decisions***

For the general overview and follow up of the monitoring and workers training ALBIRO has a CSR department together with the Quality Management department. There following lists are updated frequently:

- FWF database
- BSCI database
- ALBIRO Management System overview for internal monitoring of the progress in Social responsibility
- internal CSR Report for the total overview of the activities regarding social and environmental Responsibility

Actually we are not sourcing new factories. But in case of need, the regulations are clearly given in our ALBIRO Quality Management Manual – all social and environmental commitments must be given. The follow up and improvement in details we will support then.

Sometimes we have a conflict with demands from our customers in material suppliers, not following any official code of conduct or having official commitments. Then we clearly communicate our aims regarding our commitments to the designated new supplier. So in case we will have business together, ALBIRO standards are clearly communicated and prepared for follow up.

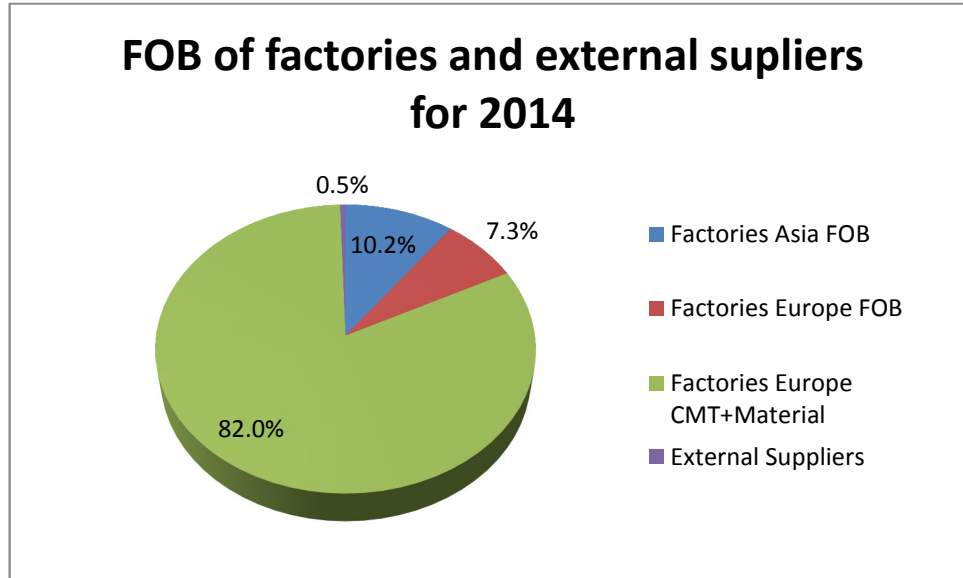
Due to a newly arranged production planning department, we are able to revise our production capacities and the product-placement. This is an important step towards a transparent time line for the production site.

Also the production site in Austria has the knowledge to support the production site in technical issues. To help to optimize the production site and follow up permanently newly found space for improvement. Additionally they can recheck the hanging CoLP and the health and safety at the production site and talk to the workers directly.



### 3. Coherent system for monitoring and remediation

This diagram and the table below gives an overview about the supply chain of ALBIRO. Factories producing in Europe and Africa are calculated as CMT plus materials, to have a reasonable comparison to the FOB Orders in Europe and Asia. External suppliers are very less in ALBIRO, therefore they are not included in the piece-volume list below.



### Volume per pieces, in comparison to 2013

	Country	Piece-Volume 2013	Piece-Volume 2014	FWF-active in this Country	Monitoring 2014/2015	CAP Status
EUROPE	Bosnia	9.6%	14.1%	No	BSCI, SA8000	not yet
	Bulgaria	0.1%	0.2%	Yes	Visits	NA
	Czech Republic	0.9%	0.8%	No	BSCI	not yet
	Hungary	0.5%	0.9%	No	BSCI	not yet
	Macedonia	38.0%	39.0%	Yes	FWF	on-going
	Portugal	0.5%	0.4%	no	not yet	NA
	Rumania	0.7%	0.5%	Yes	Visits	NA
	Slovakia	6.6%	4.9%	No	BSCI, SA8000	on-going
	Turkey	4.9%	12.6%	Yes	FWF	on-going
AFRICA	Morocco	15.8%	19.5%	No	BSCI	on-going
ASIA	China	13.6%	4.2%	Yes	BSCI, FWF	on-going
	India	2.6%	1.1%	Yes	SA 8000	on-going
	Vietnam	1.7%	3.4%	Yes	BSCI, SA8000	on-going

### **3.1. Macedonia**

ALBIRO works directly with one factory with importing and exporting license (1st tear). This company acts as agent for other companies (2nd tear). ALBIRO Choose 5 of those subcontractors to work with. One of them is a direct partner to the license owning factory.

In Macedonia ALBIRO has 4 ways to find issues with working conditions:

- A local FWF representative is the direct contact for workers and the board of workers for complaints. Worker info-cards were provided to inform about the telephone number.
- Visits of our technical representatives – they can talk to the workers directly and see the work of supervisor and technical director when working together.
- Visits by middle management ALBIRO Switzerland and Austria- taking the issues given by the technical staff and having an own impression when visiting the production site.
- Random audits by Fair Wear Foundations representatives in valid audit circles.

Almost all factories ALBIRO is working with in Macedonia are FWF audited meanwhile.

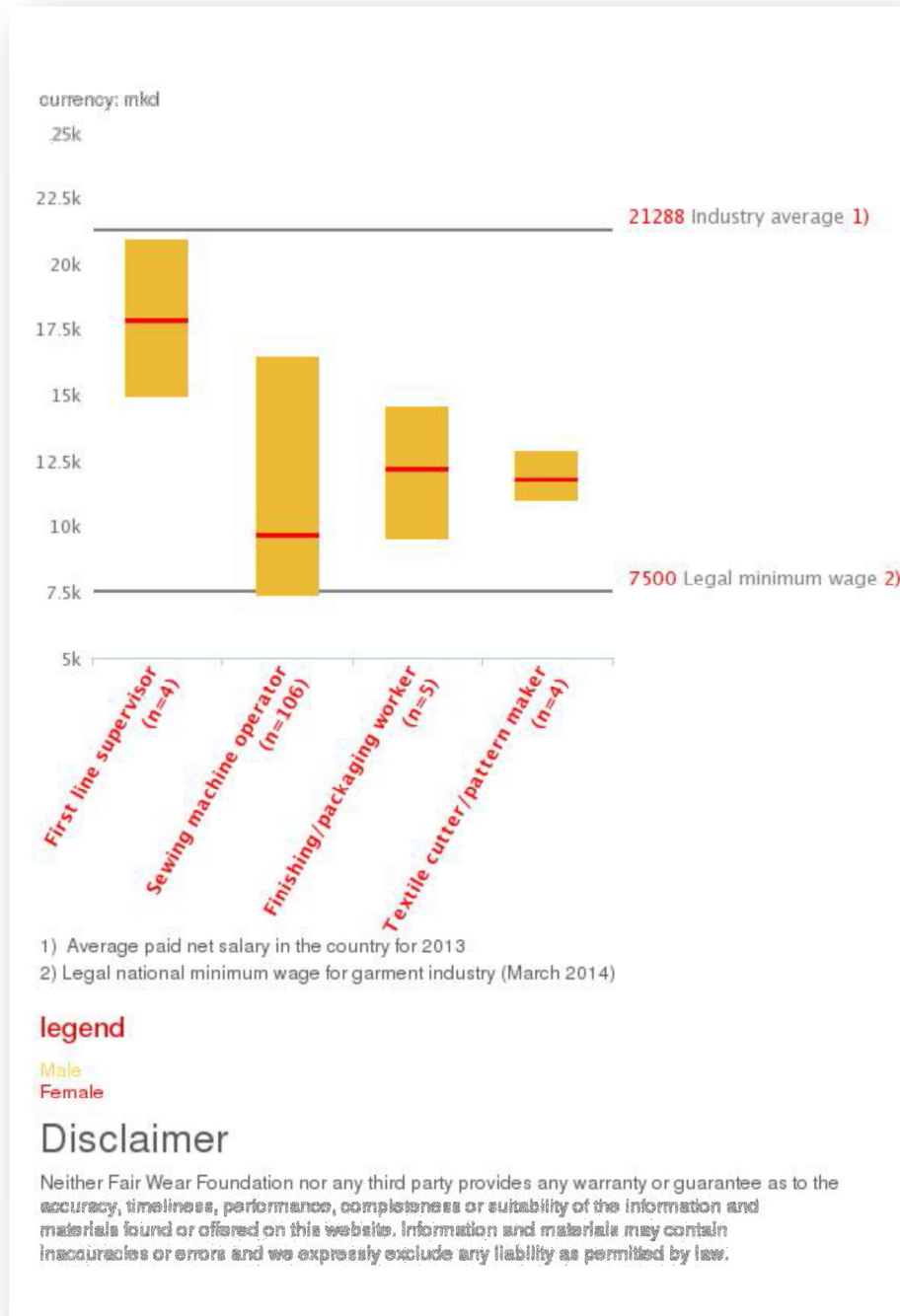
Improvement in 2014:

We hired a technical manager, this position was vacant before. He rearranged the time management for a more precise wage-calculation and the productions lines, respecting the board of labor. The production runs smoother, the productivity increased. The factory could pay the wages increase ordered by Macedonian government and increase the wage level to find more good workers.

Together with an external consultant ALBIRO supported FWF in evaluation of living wages in Macedonia and we will follow this path in 2015. The main issue will be finding the money for an average wage increase of around 8 Euro per worker per month – for the next 5 years. Also the actual piece rate payment system need to be changed. This aim conflicts the traditional mentality and needs time to develop.

Below the download of the wage ladder for our Macedonian factory in 2014.

We found payment under minimum wages for some worker. This was an example of misunderstanding and interpretation of the meaning of minimum wages. In Macedonia the tradition in the garment sector is, to start the minimum payment with workers with experience only. To pay a minimum to all, including newly hired workers was new for them.



### 3.2. Bosnia

There are two factories we support in Bosnia. One is an already running bigger manufacturer, who started to open a second business in work wear. They arranged shared audits aiming SA 8000 certification in 2015.

The other fty is fully supported by us in finding the correct way of improvement of working conditions and health and safety. Living wages are not yet in focus, but improving productivity with better production planning will help them to pay higher wages in future. They aim SA 8000 as well.

In both factories our technical production will support the CSR monitoring to observe the hanging CoLP and they are able to talk to the workers. The monitoring and support in Bosnia is still at the beginning.

Wage ladder of FWF is not yet available, but we will start the investigation in Bosnia in 2015.

### 3.3. Slovakia

In Slovakia our leverage in the main factory for Im- and Export is low and the main production has only orders from one customer in corporate identity. They had a BSCI audit in the main building and we will support the smaller subcontractors in the outer villages to be audited as well.

Slovakia is running out of worker. So most of the young people are not willing to work in the garment production sector. Only in small villages the garment production is still growing. There we will start to invest more time and money in 2015, to help to secure the workplaces. In 2014 we just took the status of the used production sites.

Below the average wage payment – the average industrial wages are taken from a list from internet supplied by UBS 2012. All data are submitted to the FWF Wage ladder tool by us.

Due to the prices for food and flats are almost same as in Germany, the living wages are perhaps much higher than estimated.



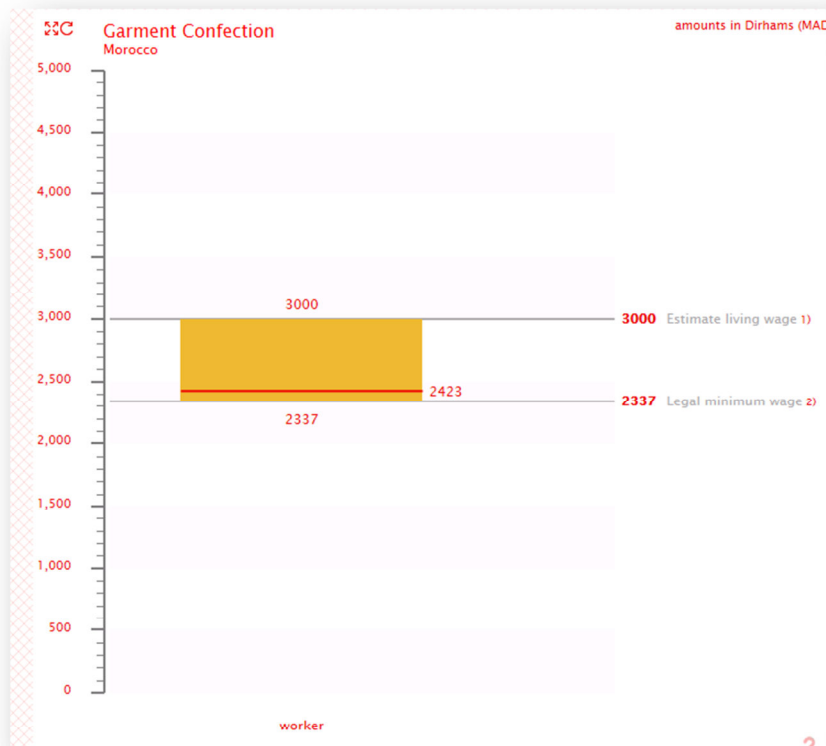
### 3.4. Romania, Bulgaria

The factories in Romania and Bulgaria we used for a brand, we are not producing anymore. Due to less orders in 2014 we made the monitoring with our head office in Austria, the production management before has accompanied the production sites during the orders running in the lines. For 2015 we will see the orders development to include them in our monitoring more tightly.

### 3.5. Morocco

In Morocco they had a BSCI Audit in April 2014 with a GOOD result. We started to estimate living wages to give an aim to them. In Morocco time rate payment with target is standard, this system is more fair and an example for all, denying to skip piece rate payment.

To support the factory we are consulting them in improving productivity to pay better wages. On our side we will optimize our production orders, bc they are mainly working for our stock. As training we will implement a teaching hour during the week for reading and writing French.



### 3.6. China, Vietnam

All orders in Asia we do via intermediates. They book capacity in special factories, they care for. Some of these Agents are placed in Europe and we keep a tight contact. The factories, they are working with, are SA8000 certificated or have BSCI Audits available.

One new supplier we choose in 2014 because they are Fair Wear Foundation member. But they follow BSCI with Audits same time.

Agents in Hongkong, China or Vietnam are usually BSCI, or the production sites are working with BSCI-Standard. Our leverage there is very small, so we suggest them to

pay our part in worker training when using FWF WEP and following CoLP. In 2015 one trip to Asia will show us the actual situation in the main factories in Asia, where our goods are produced. A first visit was done in 2013.

The monitoring will be via Fair Wear Foundation Audits step by step. The worker information cards are offered and the CoLP sent and hang already in 2012. The FWF WEP is offered as well, and we will support the improvements when visiting them or the intermediates. They all granted the fully support by signing the questionnaire.

The already available CAPs show all the same problems, as there are: Overtime more than legally allowed, missing paperwork for some workers, health and safety issues at the machines. No one is paying living wages, but all of them need to increase the wages and care for the workers more.

China and Vietnam they have a lack of good workers and it would be helpful to change something in the system. But is it hard to convince the head management to change the payment from piece rate to time rate by target to ensure the productivity in a human manner. But we will go on working on this target.

### **3.7. India**

One swiss supplier uses a factory in India with SA 8000 Standard. The CAP result is also not perfect, same problem with overtime and missing health and safety. We are working with the supplier to improve the results. Our main task is always to place the orders in time and secure the correct payment in time.

### **3.8. External production**

External production are purchased items which don't belong to ALBIRO core business but needs to be offered to customers as an completion of the ALBIRO core products.  
(Group 3)

The goal in 2014 was to gain more transparency about the supply chain of these suppliers, same as the years before. The suppliers are very resilient to make their supply chains transparent, partly because they just don't know and partly because they are afraid that ALBIRO might circumvent these suppliers and buy directly at the source.

The strategy to deal with these issues is partly to change to suppliers which are FWF members, to explain about the commitment of ALBIRO to improve transparency and working conditions and partly to offer them a non-disclosure agreement.

## **4. Complaints procedure**

At our Macedonian production site we gave the Fair Wear Worker information card in Macedonian language to the workers, to inform about the telephone number in case of complaints

In 2014 we had two complaints due to management changes in Macedonia. After consulting Fair Wear Foundation in Macedonia, we agree that Fair Wear Foundation investigates carefully in local language and informs the factory directly what to improve. Meanwhile we coach our new production management in building up a good team carefully. They started to work together and the situation calm down.

In the factory itself is a simple but effective grievance mechanism installed – a letter box in each building, controlled by the board of worker. They choose one person for each building to empty the complaint boxes and to follow up the given issues for the worker. They inform the production manager about the issue and find a solution together.

We are frequently in Macedonia, so it is no problem, to solve the complaints together with Fair Wear Foundation there. The only point we suggested, is to give a complaint report in both languages, that the board of worker can read it as well, without translation by someone else.

## **5. Training and capacity building**

### ***5.1. Activities to inform staff members***

ALBIRO employees are informed about the on-goings through the ALBIRO intranet-site as well as through training sessions for new staff. The CEOs and their teams are informed by the QM about new achievements and tasks given by the FWF membership. A internal CSR Report and the ALBIRO Management System are an always available overview.

In 2013 the ALBIRO employees have been informed directly by representatives of the Fair Wear Foundation about what FWF is about and what ALBIRO with the help of FWF wants to achieve. The ALBIRO management finds this knowledge transfer important, because every person in the organization can attribute to social compliance.

New staff has to follow up a learning schedule, where CSR is included. There we inform about the commitments carefully at any occasion.

All useful documents are online available and easily to find in our Management System.

### ***5.2. Activities to inform agents***

The agents were informed about the membership of ALBIRO. And with that, documentation about social responsibility of ALBIRO and the Code of Labor Practices were handed over. Almost all questionnaires are signed by group 1 and group 2 Suppliers.

Further information will be given by going to and talking to the agents, which were done in 2014 and will go on frequently.

### ***5.3. Activities to inform manufacturers and workers***

We invite our suppliers frequently. The CSR is always on the agenda, our strategic purchasing is in charge to inform the CSR management.

Group 1 factories are visited frequently, from our CSR responsible person and the technical staff. We make photos of the place and follow up the FWF visitors guide including health and safety regulations. In case of needed improvement we discuss directly with the head management how to follow up and give a time line. Also financial help can be given. This findings are summarized in a visiting report and supplied to all CEOs and the technical production team.



Group 2 factories we asked to improve their CSR standard, demanding their other customers for help. We will pay the audit complete or partial, but the company needs to care for the organization of the Audit and the follow up of the CAP. So we got two suppliers group 2 to care for their responsibility and one factory group 1 to share the costs with us and two other customers. Besides payment we will follow up the development at these three places. Due to the factories are placed in countries, where Fair Wear Foundation isn't present, we will go on with BSCI, STeP and SA 8000.

## 6. Transparency & communication

ALBIRO 2012 actively informed the customers about becoming a member of the Fair Wear Foundation. Also there was a joint press communication from ALBIRO and FWF about the membership. Based on that some newspapers have written a piece on ALBIRO and its goals regarding social responsibility.

The Fair Wear Foundation is mentioned on the ALBIRO website. The FWF logo is communicated with every email message to all ALBIRO contacts.

In an investigation by the Berne Declaration ALBIRO was mentioned in the top 3 of Swiss companies supplying work wear regarding transparency about CSR matters.

With the implementation of the Code of Labour Practices ALBIRO did not yet reach full acceptance with the suppliers and ALBIRO works hard to have this achieved. It seems that to have all suppliers aligned will take several years. Nevertheless, there is a big commitment in the entire organization to proceed in this direction.

## 7. Stakeholder Engagement

Besides Fair Wear Foundation, ALBIRO is member of following organizations:

- BSCI, using the BSCI Standard for Audits in countries without Fair Wear Foundation support.
- bluesign® for the chemical transparency in our supply chain. Our material in our products have OekoTex 100 as standard, to ensure the absence of harmful substances in the product, bluesign audits the chemicals production site.



- We also support the engagement of Fair Trade with Max Havelaar with one of our fabric supplier, we will see how this project will go on in 2015.
- As latest request we were asked to show transparency to one of our customers regarding the Detox campaign from Greenpeace.



## 8. Corporate Social Responsibility

### ALBIRO Foundation

#### Projekte 2014

#### Entminung Bosnien

Im Jahr 2014 durften wir eine sehr interessante Zusammenarbeit mit der Stiftung „Welt ohne Minen“ lancieren. So konnten wir im Herbst 2014 im bosnischen Maglaj eine grosse Fläche entminieren. Die Räumungsarbeiten des Minenfelds Bijela Ploca-Plane Jablanica 3, welche vom 26. August bis und mit 9. September 2014 dauerten, konnten erfolgreich abgeschlossen werden. Die Entminer haben auf dem Minenfeld weder Antipersonenminen noch andere explosive Kampfmittelrückstände entdeckt. Dies steht sehr im Kontrast zum nahgelegenen Minenfeld „Jablanica“, welches einige Wochen vorher gesäubert wurde und auf welchem rund 18 Antipersonenminen sowie 17 weitere explosive Kampfmittelrückstände gesichert und zerstört wurden.

Das von der ALBIRO FOUNDATION mitfinanzierte Projekt „Jablanica 3“ umfasst eine Gesamtfläche von 27'366 Quadratmeter, welche jetzt wieder der bosnischen Bevölkerung zur freien Verfügung steht. Die Fläche ist in der Nähe der Produktionsstätte Bontex, welche für die ALBIRO AG produziert. Wir sind froh um einen weiteren „sauberen“ Landabschnitt in Bosnien.



## Weihnachtspäckli Aktion

Bereits wie letztes Jahr hat die ALBIRO FOUNDATION einen Aufruf für die Sammlung von Weihnachtspäckli für Kinder in Rumänien gemacht. Insgesamt konnten wir 32 Päcklis von den ALBIRO Mitarbeitenden (und Familien) abgeben. Die Weihnachtspäcklis werden in Rumänien direkt an die Kinder verteilt und wir haben so die Garantie, dass die Päcklis am richtigen Ort ankommen.



## Kleidersammlung

Es werden laufend Kleider in die Kleidersammlung der ALBIRO FOUNDATION abgegeben, diese kommen hauptsächlich von Angestellten oder deren Angehörigen der ALBIRO AG. Auch werden immer wieder Kleider vom Fabrikladen, welche nicht mehr verkauft werden können, der Sammlung beigesteuert.

Corinne Loosli  
Präsidentin der ALBIRO FOUNDATION