

ALBIRO

fashion on the **job!**

Social Report 2013



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www.albiro.com

Start date membership Fair Wear: June 2012

ALBIRO
fashion on the job!

FRENCYS
FUTURE LAB

marsum
Arbeitskleider mit Schweizer Tradition

SOLIDA
care collection

SOLIDA
gastro fashion

Wikland
YOUR TEXTILE TOOL

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.

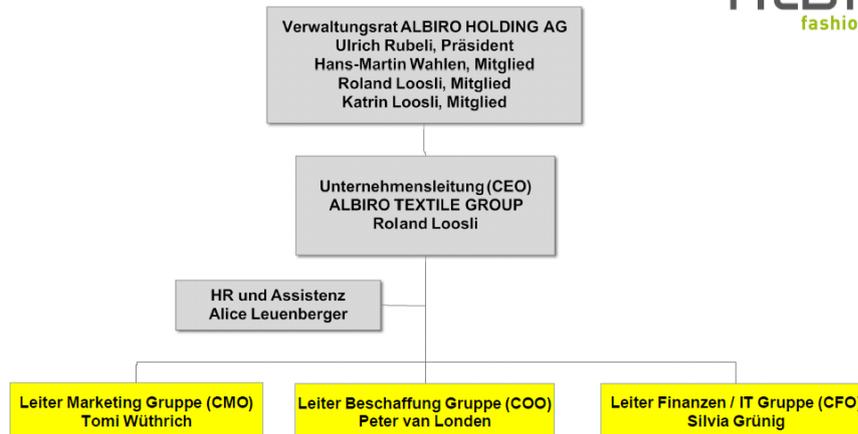
Roland Loosli

CEO



Organizational chart

Organigramm 2013



ALBIRO
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1. Summary: goals & achievements 2013

In 2012 in June ALBIRO became a member of the Fair Wear Foundation. The goals were defined until the end of 2013. The main focus in 2012 has been becoming a member of FWF and to have the organization aligned for the obligations which come with that. The first work plan was valid from June 2012 until the end of 2013.

ALBIRO has set-up a supplier register after an analysis of the supply chain. The suppliers have been identified in first and second tier and have been send an inquiry for information. Most, but not all suppliers, have responded to the questions within 4 months. In a second round ALBIRO has supplied the suppliers with the Code of Labour Practices in the local language spoken by the employees, and has asked for proof that the Code of Labour Practices has been posted visible for all employees. After 6 months some of the organizations have failed to respond to the questionnaire and/or supply proof of the Code of Labour Practices.

Two audits were done in Macedonia with the FWF audit team. One audit was done with a Moroccan supplier in December 2012, but according to the BSCI-audit guidelines by SGS Morocco.

ALBIRO has participated with one of its suppliers on a FWF project on fair wages in Macedonia. A wage analysis and an adjustment in wages as a result of this project has been done.

The senior management of ALBIRO finds it very important, that the supply chain is controlled regarding, but not only for, social responsibility. Both for the benefit of the employees who produce clothes for ALBIRO, as well as for the continuity of ALBIRO is an enterprise.

In addition the ALBIRO founder family has started and funded the ALBIRO Foundation. The Foundation has the goal to start and support social projects in the countries in which ALBIRO suppliers produce.

ALBIRO believes strongly that for sustainable business it is important that the labor conditions at its suppliers are improved. In the same time ALBIRO also finds itself in a competitive environment, which doesn't leave much room for price increases. This is why ALBIRO sees the improvements as an industry initiative, in which ALBIRO acts as a pioneer within its field. ALBIRO involves its customers in this process as well, so that the environment for improvements are being developed in the whole value chain.

ALBIRO included in its strategy the CSR responsibility and follows the internal operative guidelines. It has taken efforts to change the organizations mode of operations to fully embrace this principles and ALBIRO is continuous acting on them. In order to speed-up the behavior changes all ALBIRO employees had been informed by Fair Wear Foundation officials about the Fair Wear Foundation and the goals it is aiming to reach. These sessions were held in the first quarter of 2013.

ALBIRO identifies increased concern from its Swiss customers and with the Swiss public concerning social conditions for the workers in the garment industry. On the contrary in the second biggest market for ALBIRO, Austria, there seems to be less concern about these issues as a factor influencing sourcing decisions. 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 production with sourcing of raw materials.
- 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

The raw materials are sourced as well for Group 1, which are fabrics and all kind of raw materials used for clothing.

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:

- Quality of the products
- Labor and work conditions
- Pricing
- Location of supplier
- 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 one time per year .

2.2. Organization of the sourcing department

Austria:

ALBIRO has one sourcing department at ALBIRO Austria with 1 manager and 4 buying assistants (one for fabrics, two for ready made garments and non-fabric clothing materials and one for packaging and other materials). In Austria there exists a Planning Department, which takes care of planning ALBIRO production and supervising the clothing manufacturers during the production phase. The sourcing manager reports to the technical manager Austria.

For FRENCYS ALBIRO has one buyer, who buys all raw materials, as well as ready made garments. She reports to the technical manager FRENCYS.

Switzerland:

ALBIRO employ one sourcing manager reporting to the technical manager Switzerland. He supervises a staff with 5 persons, one for sourcing raw materials and the others for disposition of the different models and the supervision of the clothing manufacturers, as well as the transportation and customs.

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.

Brand	Information	Time tables
ALBIRO Object	Collection per object only	Addition and renewal based on customers wishes
ALBIRO Catalogue	Renewals and additions, as well as "end-of-life"	Usually every 3 years
Wikland Catalogue	Renewals, additions and end-of-life for summer and winter collection	Every year
FRENCYS Catalogue	New collections	Every year
Tenders	New developments	Based on tender timing

2.4. Supplier relations

In 2013 several relationships with suppliers were stopped. The main reason for that has been cooperation in regard to transparency in the supply chain towards ALBIRO. The second reason is that ALBIROs Supply Chain is too broad and too complex. The third reason was based on ABC-analysis (size, importance and quality).

The aim of future supply chain management is to concentrate on several key partners and work with them to reach a sustainable supply chain, both regarding social as well as ecological issues.

2.5. Integration monitoring activities and sourcing decisions

Based on the analysis of the supply chain in 2012 it became clear that the supply chain is quite broad and complex. The management board decided 2012 to reduce the amount of suppliers intensively in the next coming years. The decision about supplier the relation will be terminated is based on cooperation with ALBIRO on social transparency and on ABC analysis.

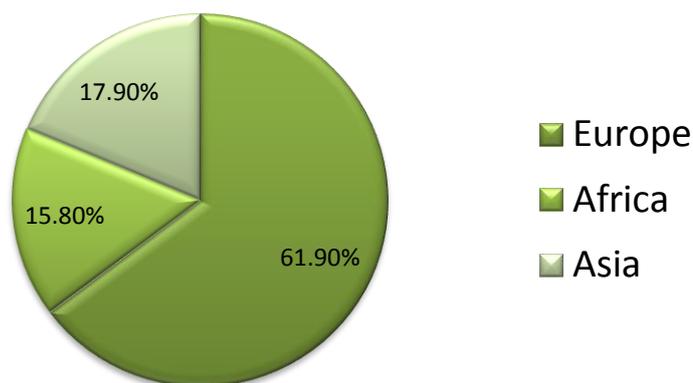
It was and is not easy to end a relationship with full service suppliers, as ALBIRO has to find an alternative for the product. Many products are not seasonal, but are sold several years all year round, which is why it takes time to exchange suppliers without noticeable influences on product quality and performance on the market.

New suppliers will be chosen carefully following the supplier audit reports described and required by our Quality Management System under the terms of ISO 9001 and ISO 14001. All requirements to fulfill our duties as FWF Member are implemented there to ensure the correct CSR way to choose new suppliers.

3. Coherent system for monitoring and remediation

This diagram and the table on next page gives an overview about the supply chain of ALBIRO and comprises of 1st tier, 2nd tier and also 3rd tier suppliers.

Volume 2013



	Country	Volume 2013	Volume 2012	FWF-active in this Country	Social NGO used	CAP Status
EUROPE	Bosnia	9.6%	4.70%	No	BSCI	no
	Bulgaria	0.1%	0.50%	Yes	no	no
	Czech Republic	0.9%	0.80%	No	no	no
	Hungary	0.5%	0.20%	No	no	no
	Italy	0.1%	0.12%	Yes	no	no
	Macedonia	38.0%	39.00%	Yes	FWF	on-going
	Portugal	0.5%	0.40%	no	no	Ministry of Economy Audit 2013 about wages
	Rumania	0.7%	1.10%	Yes	no	no
	Slovakia	6.6%	14.00%	No	no	no
	Turkey	4.9%	4.00%	Yes	FWF	on-going
AFRICA	Morocco	15.8%	12.00%	No	BSCI	on-going
ASIA	China ¹	13.6%	7.30%	Yes	BSCI, FWF	on-going
	India	2.6%	7.20%	Yes	SA 8000	on-going
	Vietnam	1.7%	4.50%	Yes	BSCI, SA8000	on-going

1) One supplier has been audited by another Fair Wear member company

3.1. Macedonia

During the first membership year ALBIRO choose to put the emphasis of its efforts on Macedonia as the biggest portion of ALBIRO production is done in this country and also because the Fair Wear Foundation sees Macedonia as one of the high risk countries in South-Eastern Europe.

ALBIRO works with one factory with importing and exporting license directly (1st tear). This company acts as agent for 18 other companies (2nd tear). From this 18 other companies, of which 3 are sister companies of the others acting as a special entity to employ disabled people under the same roof.

With 5 companies the cooperation was terminated 2012 in an effort to reduce complexity and control possibilities in the supply chain - this reduction program will be continued in further years.

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

- A local NGO representative who did besides instructions about labor rights, also evaluations with the workers about their labor conditions
- A visit to factories which produce for ALBIRO by a Swiss NGO.
- Visits of our technical representatives
- Audits by Fair Wear Foundations representatives

We choose to ask FWF to make Audits with our production subcontractors starting 2013 and on going 2014. To follow up the CAPs we hired 2013 one Macedonian person to help the production sites.

We could improve in 2013:

Evacuations system and plan is installed at the audited factories and will be installed in all subcontractors. Fire extinguisher are clearly arranged with maintenance reports. Escape doors are built in. Electricity is under observation.

Minimum wages were increased to living wages, besides the wages evaluation system needs still improvements..

The workers are informed about their rights and the Code of Labour Practices is placed correctly inside the factories for everybody to be found.

The ongoing improvement and implementation will be monitored by us and a new technical Manager hired by our Macedonian Production partner.

3.2. Morocco

In Morocco we started 2011 with Audits by SGS following our BSCI membership.

All issues which have been found are corrected.

The company management goes on working on the QM-manual, to success the BSCI Audit in April 2014.

3.3. China

At one of the factories used for production of ALBIRO products, an audit by FWF was performed, but initiated by another Swiss FWF member. Improvements at this factory are necessary, corrections are followed-up by the other company. ALBIRO is being informed about progress.



As main focus was on Europe in 2012. For 2013 we concentrated our relations to Asia on Agents having Social codes of conduct already. Business with other suppliers have been stopped or are in a near observation for further steps.

3.4. External production

External production is production of items which don't belong to ALBIRO core business but needs to be offered to customers as an completion of the ALBIRO core products.

The goal in 2013 was to get more information about the supply chain at these suppliers. The suppliers have been 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 directly buys 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

In 2013 there were no complaints received from the ALBIRO suppliers through the Fair Wear Foundation channel.

ALBIRO has focused the attention in 2013 on the main suppliers of ALBIRO in Macedonia and Morocco. Most of the employees working at suppliers who work for ALBIRO have been educated on the Code of Labor Practices and the complaint possibilities by a local NGO-representative. This has lead to some comments made by employees during the information sessions, which mainly has to do with non-transparent information on wage calculations and on a monthly payment under living wages.

These remarks where nevertheless posted in the ALBIRO databank on suppliers complaints and have been or will be dealt with. Inside the ALBIRO organization one person (the quality manager) has been made responsible for acting on these complaints. This procedure is been written down as part of the Management System ALBIRO which is certified according to ISO9001 and ISO14001.

On the ALBIRO intranet a spot is reserved for information on Fair Wear matters.

Based on the feedback ALBIRO requires from all suppliers in Macedonia first tier and second tier to report every month on the paid wages to all employees. This has been successful only with the suppliers which depend solely on ALBIRO.

ALBIRO has a program to reduce the suppliers so the control by ALBIRO on its suppliers can be increased.

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 heads of office will be informed by the QM about new achievements and tasks given by the FWF membership.



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.

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 Labour Practices were handed over.

Further information will be given by going to and talking to the agents, which were done in 2013 and will go on frequently.

5.3. Activities to inform manufacturers and workers

ALBIRO decided to engage a local NGO representative in Macedonia to inform the workers about the Code of Labour Practices and workers rights. This education has started in October 2012 and is still on-going in 2014 as more than 500 employees are involved. These trainings have proved to be successful as discussions have been raised to the subjects during the training sessions. ALBIRO expects that worker representations will be formed in the factories in Macedonia and will support this process.

6. Transparency & communication

ALBIRO has 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

In 2012 ALBIRO had several discussions with the Declaration of Berne about a study conducted involving ALBIRO suppliers in Macedonia. Because of that ALBIRO was mentioned in a Swiss television program in 2012 in regard with production for the Swiss army. Key topics raised by the declaration of Berne were wages below the minimum wage in Macedonia, work without a legal contract and health and safety allegations of the building.

ALBIRO uses its power with these suppliers to have them accept the FWF Code of Labour Practices and to embrace the stipulations mentioned in the Code of Labour Practices.

To support the supplier in Macedonia, ALBIRO hired a person taking care to implement the CoLP following the CAPs, to train the worker and the management to understand and to follow the FWF CoLP.

8. Corporate Social Responsibility

The ALBIRO family has established the ALBIRO Foundation in 2012. The board of this Foundation exists of young employees of ALBIRO in Switzerland. The aim of the Foundation is to start projects in the countries where ALBIRO products are produced.

Romania

The first project was in 2013 in Romania. Three rooms of the school in Ruscova (small town in the north of Romania) was renovated and refurbished. These rooms will be used in the future as sport, food and learning spaces. The roof was completely renovated because it didn't fulfil its purpose anymore. The members of the Foundation were already twice in Ruscova to start and to support the project with the local project manager and the mayor.

The Foundation beared the costs of the material, the renovation works were carried out by local workers from Ruscova. "It's great that young employees from Switzerland wanted to support our children in Ruscova. The renovation of the school was needed, unfortunately we had no funds for the material or workers. We can't wait to see happy faces of the children from Ruscova after the renovation" said Monica Tamas, the local project manager and a liaison between the Foundation and the local people.

April 2013



July 2013



ALBIRO Clothing Collection

In 2013 the first ALBIRO Clothing collection was organized. Clean and wearable clothes, shoes lines and much more were collected in Sumiswald. The foundation distributed all the fabrics with a special transport to Romania.



Christmas gifts

In 2013 the foundation collected some Christmas gifts for the children living in Ruscova. All the gifts were given to children in various children's homes and schools right before Christmas 2013.



Next year 2014 ALBIRO plans next project in Bosnia.