



blutsgeschwister

Start date membership June, 2013
Reporting period (financial year)
15.06.2013 – 31.12.2013

www.blutsgeschwister.de



Content

1.	Summary: goals & achievements 2013.....	3
2.	Sourcing strategy.....	3
2.1.	Sourcing strategy & pricing.....	3
2.2.	Organisation of the sourcing department.....	4
2.3.	Production cycle.....	4
2.4.	Supplier relations.....	5
2.5.	Integration monitoring activities and sourcing decisions.....	5
3.	Coherent system for monitoring and remediation.....	6
3.1.	Factory A/China.....	6
3.2.	Factory B/China.....	6
3.3.	Factory C/China.....	7
3.4.	Factory D/China.....	7
4.	Complaints procedure.....	8
5.	Training and capacity building.....	8
5.1.	Activities to inform staff members and salesagents.....	8
5.2.	Activities to inform manufacturers and workers.....	8
6.	Transparency & communication.....	9
7.	Stakeholder Engagement.....	9



1.

Summary: goals & achievements 2013

Since the end of 2012, we have been searching for a suitable partner to help us track and improve the working conditions at our suppliers in China, India and Turkey. After 6 months of evaluation, all decision makers in this process were in agreement: Fair Wear Foundation (FWF) is the way we want to go. After the application process we became a member on the 15. June 2013.

After deciding to join Fair Wear Foundation, we heard from the aid program developp.de of the Federal Ministry for Economic Cooperation and Development in cooperation with the Deutsche Investitions- und Entwicklungsgesellschaft (DEG). The program supports mid-sized companies create a sustainable process in developing countries and emerging nations. We were very happy to win the support of the DEG with our work plan and to be supported by them in our aim to develop a sustainable supply chain management for our brand together with FWF.

We had 4 audits in China at the end of the year and from that on we are working on the CAP's with them. We were very happy to see in our first Audits that some of our suppliers already provide a very good work environment and are willing to work closely with us on the FWF process.

Stephan Künz – CEO Blutsgeschwister: "We believe, that the decision to be taken is not "whether" to constantly improve labour conditions, but "how". We personally enjoy working with partners that offer fair working-conditions. Finally we are pretty sure that in the future only businesses will be successful that take care of all their stakeholders – of course including the workforce at the place of production.

"As we had our first Audits very late in the year, we didn't have the possibility to work that much directly on the CAP's. So we started from June to train our internal staff, e.g. Head of Sustainability, Director of Product Development and our Quality Manager with the FWF seminar "Social Compliance in the supply Chain" to prepare them for the work ahead.

2.

Sourcing Strategy

2.1. Sourcing strategy & pricing

We take time and care in selecting production partners all over the world that are able to manufacture our collections designed with our heart and soul in accordance with the following criteria:

- Fair and social manufacturing conditions
- An honest, cooperative and open approach
- Clearly defined working, quality and environmental standards
- A focus on producing high-quality products

We then select suitable suppliers boasting top expertise in a variety of different locations. We currently manufacture our Blutsgeschwister Ladies, Kids and Accessories lines in Turkey, China and India.

Our Blutsgeschwister Homewear line is mostly made in the Black Forest region of Germany.

We focus on long term partners and our aim is to keep this partnership running through the whole year and guarantee them a consistent order amount per year, so that our suppliers have the opportunity to prepare a solid production planning.

We are not an aggressive sourcing brand for new suppliers. We only try to find a replacement for a supplier in case we have to stop cooperating with one of our partners, due to several problems that can't be fixed after we have given enough time to work on improvements.

All our collections are designed in our Berlin office, from the pattern print up to details like buttons and embroideries and our styles have a special workmanship. The longer a supplier knows us and our quality demands, the easier and smoother our product development process becomes. We also believe that consistent cooperation is the only way to keep track of the working conditions abroad.



2.

Pricing:

In our pricing strategy we take care to pay an appropriate price to our supplier that allows him to run his production in an efficient and fair way, and allows us to keep our market price stable. We are not focusing on cheap products but on quality; we are aware that quality and our unique workmanship requires a certain price.

With the first sample, our suppliers must already name us an initial price. In case the price needs some discussion, we ask the supplier for a composition of the price to see where it can be decreased, or change the style so it can be done to the expected price.

2.

2.2. Organisation of the sourcing department

Our sourcing department is a combination of our design department and our buying department. Mainly our Head of Design, Director of product development and our Head of buying and product management are planning the production of our collections and choose the matching suppliers.

Each supplier has expertise in a certain type of production. So the above mentioned team considers which groups will be placed with which supplier. Additionally, we consider the volume of quantities to make sure the bulk production is suitable for our suppliers. In 2013 we already worked with a supplier rating where beside quality, deliveries, communication and pricing processes, the willingness for working on the traceability and improving on the working conditions in the factories was considered.

As most of our deliveries are shipped by sea, the deliveries need a certain amount of planning time. After we have the final quantities, our head of buying and product management plans the delivery dates with our logistic department. In case the supplier already mentioned concerns about the delivery schedule, we try to reschedule the delivery date or split the delivery to provide our supplier the necessary lead time. This prevents the risk of excessive overtime at our suppliers. During the production, our production department is open to discuss production problems and support the suppliers in every way.

As we don't source for new suppliers in our daily business, we don't have a separate department for this matter. All contacts to new suppliers, received either through solicitation or recommendation, are kept in an internal database that we update regularly. If a new supplier is needed, our Director of Development and our Head of Buying evaluate a suitable partner from this database.

2.

2.3. Production cycle

In total we have 7 collections per year. The lead times are as following:

Collection	Order Placement	Lead Time
Spring	Mid of September	10 – 17 weeks
Summer	Mid of September	10 – 17 weeks
Midsummer	Mid of September	10 – 17 weeks
Prefall	Mid of March	10 – 18 weeks
Fall	Mid of March	10 – 18 weeks
Winter	Mid of March	10 – 18 weeks
Christmas	Mid of May	13 – 16 weeks



2.

2.4. Supplier relations

As already mentioned, we focus on long term business relations with our suppliers. We have been in cooperation with most of our suppliers for over 3 years. We require an open relationship with our suppliers to discuss topics like quality issues, delivery times, prices or problems that can occur during the production or sampling stage and we are always willing to cooperate with them and support them as best we can.

As mentioned in article 1.1, we are not an aggressive sourcing company. In case we must start cooperating with a new supplier, we consider following aspects.

First, we take care of product matters: Availability of required technologies/machines; capability of the supplier to produce the product; quality standards; capacity for the forecasted quantities.

After these points are clear and meet our expectations, we check on the general aspects that are: Respect of labour and environmental standards; ability to produce in our leadtime in a regular production mode, communication, terms of business, country of origin, price, possibility to begin a long term relationship with this supplier.

If we start a business relationship out with the new supplier, he receives our supplier manual and a frame contract before we start the sampling process with him. The supplier manual has detailed informations about our company structure, our general production requirements like quality standards, packaging, labelling, our restricted substances list and the FWF Code of Labour practice.

2.

2.5. Integration monitoring activities and sourcing decisions

Before joining FWF our contract already included basement points about social standards that we request from our suppliers. We already calculated our order placement to make sure every supplier had a basic number of orders. We also visited our suppliers once a year to get a realistic impression of the factories and we monitored our supplier with our supplier rating system.

After we joined FWF, every supplier received the Code of Labour practice and had to return a signed copy to us.

End of 2013 we had 4 audits at our Chinese suppliers. All audits were initiated by us and we meet with these 4 audits our target of monitoring 49% of all of our suppliers.

The Code performance on the Code of Labour Practice is of course relevant for us, but also very relevant for us is the willingness to work on the Code of Labour. In case the outcome of an Audit for one of our suppliers is not that good, but he is showing real interest and efforts to improve these matters, he is as important to us like a supplier that already has a great performance on the Code of Labour Practice.

After the first 4 Audits, we decided to work a bit more detailed on our internal evaluation system for placing our orders. This shall help to give a fuller overview of our suppliers in sustainable matters. The outcome of this evaluation shall be as relevant as hard facts like quality and prices.

Additionally, we are considering to make small changes in our collection to decrease the number of colourways. When we produce less colourways of each style, we can increase our quantities. This also has a positive impact on the supplier as it makes production easier and decreases the production time for our orders. Before terminating a contract with one of our suppliers, we try to solve the problems that can cause a termination in open discussions with him. However, sometimes it can happen that we have to end the cooperation. With our new system, we create a more trackable process for the cooperation with our supplier. Terminations will also be more trackable for third parties like Fair Wear Foundation.

Finally, we can see more of this work in 2014, as we have started to work on the Corrective Action Plans.

3.

Coherent system for monitoring and remediation

We decided to start the audits with our longest-running business partnerships, which are very important for us. We have had stable cooperation with each of them for at least 4 years. All our audits in 2013 took place in China.

3.1. China

Factory A

This is one of our longest working relationships - existing for 5 years now. The supplier has the biggest volume of our orders and has also the biggest capacity of our suppliers. The audit needed 1.5 days to be completed and was conducted by the FWF Audit team. The general outcome of this audit was very good. The factory provides a lot of benefits for the workers, like very modern dormitories with private couple rooms and free WiFi. The condition of the factory itself and the remaining dormitories were very clean, well organised and professional. The factory met most of the necessary requirements of the Audit. A proper wage ladder was drawn where it stated clearly, that the minimum wage is reached in a regular working week.

Still, there are payment issues regarding payment for statutory holidays and working times. Those issues will be the focus on the CAP. The supplier already reacted swiftly to the CAP and improved minor issues immediately.

Factory B

Our longest business relationship (over 5 years) is with the manager of this factory. The manager has opened his own factory in 2012, before that, he worked at a other factory where our goods were produced. When he opened his own factory, he switched our orders to his private factory.

The audit took 1.5 days and all necessary members of management joined the audit. Unfortunately our supplier misunderstood the goal of the audit and was afraid to not pass it. Therefore he got the support of a kind of an audit assessment company that led to falsified documents, which was a shame as his general outcome of the Audit was very good when it comes to health & safety issues, also the work environment seemed to be open and friendly between the workers and the management.

Our main goal became explaining the FWF process in detail to our supplier and making sure he is open for this and transparent.

The work environment seemed to be friendly and the workers reported in the interview that they feel free to discuss problems or suggestions openly with the management. The building was in a very good condition; the machines and all safety matters have been taken care off. We were very happy to see after this discussion, that our supplier is willing to join the process with us and has started right away to take actions on the Cap.

FWF despatched the Code of Labour practice to all workers with the number of the complaint hotline in China.

The main focus on the Corrective Action plan is to keep a realistic documentation of working hours and payment to check the final situation on those points. More results of this can be seen in the social report of 2014.

3.1. China

Factory C

This is a supplier with whom we have cooperated for 4 years. It is one of the smaller factories in China and we work with them through an agent (who is also participating in the ownership of this factory). It was their first audit on social compliance.

The audit needed 1.5 days and was held by the FWF Audit Team of China, our agent also joined the audit.

The cooperation was good through the whole audit and also on the follow up meeting. A wage ladder couldn't be issued, as the necessary documents could not have been provided.

The work environment is friendly and the workers reported in the interview that they are free to discuss problems or suggestions openly with the management.

The main problems are connected to payment of a living wage, overtime and some health and safety problems.

For example, the factory's canteen is located above the workshop a safety risk. Additionally, the fire exits were not marked clearly and there haven't been regular fire drills. The fire extinguishers were not easily accessible and the workers from the cutting section didn't have a metal glove for protection. Just after the Audit, the supplier immediately took action to improve those matters and is looking for a new canteen place. They marked the fire exits clearly and drew up an evacuation map which is posted in the workshop. The fire extinguishers have been placed in an easy accessible place and all workers of the cutting section were provided with a metal glove.

The issues with working hours and payment of a living wage will need more time and we are working with our supplier on those matters. Further Steps and first results can be seen in the social report of 2014.

FWF despatched the Code of Labour practice to all workers with the number of the complaint hotline in China.

The main focus on the Corrective Action plan is to improve the remaining issues concerning health & safety. The factory has to set up a proper production planning system including a clear documentation of the working hours and the wages so FWF can issue a wage ladder on the next Audit.

Factory D

We have also cooperated with this supplier for 4 years. The factory is one of the smaller factories in China and we work with this factory through an agent. It was their first audit on social compliance.

The audit needed 1.5 days and was held by the FWF Audit team; our agent also joined the audit. The cooperation on the audit was good.

The most important findings were issues connected to living wage and overtime. There was no clear documentation of the wages or working hours, therefore no wage ladder could be issued. Additionally, in the worker interview FWF found out that the payments are often delayed. This was also the reason for a complaint (see more in 4.).

The work environment seemed to be friendly and the workers reported in the interview that they are free to discuss problems or suggestions openly with the management.

FWF despatched the Code of Labour practice to all workers with the number of the complaint hotline in China.

The main focus on the Corrective Action plan is to improve the issues concerning the documentation of payments and working hours, as well as the on time payment to the workers.

4. Complaints procedure

We forwarded the Code of Labour Practise in the applicable language to all our suppliers and advised them to post the Code of Labour in a good visible way on a place where the workers can read this Code in peace. We advised all our suppliers, to forward pictures of this posted Code to us and we check the phone number every time we get a picture or when we are at the factory ourselves.

On 31. December 2013 we received a complaint from the audited factory D in China about a violation of "payment of a living wage". The plaintiff complained that his wages were due for the previous 3 month from October till December.

Immediately we held an internal meeting with our head of buying to get a detailed overview of pending payments and open orders at the supplier to make sure that we provided all necessary payments to the supplier with the result that no payments from our side were delayed.

As we are cooperating with this factory through an agent, we contacted our agent to give a statement in this matter immediately.

Through our agent the factory explained that due to tight funds, some wages are still owed, so the complaint was legal. We immediately insisted on a payment of all the open wages from the factory which came to action. The factory passed the payroll to us and we forwarded it for a check up to FWF as it was in Chinese. From the payroll FWF has seen that the open payments were paid.

As the complaint came in just before Chinese New Year, we had to wait until FWF could get in touch with the plaintiff again. Finally we got the confirmation from his side that all open payments have been paid. We reported all the complaints internally to get an overview which of the complaints might be grounded in the industry of the remaining country.

5. Training and capacity building

5.1. Activities to inform staff members and sales agents.

After our director of production and our Head of CSR went to the FWF seminars, they prepared an internal meeting for our staff at the Headquarter in Stuttgart and the Design / Production department in Berlin. This meeting provided our staff with all necessary informations about the Fair Wear Foundation membership as we are sure that all our colleagues need to be aware of working on social standards at our suppliers and every one will have contact with this process in their own way.

We held the same presentation for our store managers and our sales agent with a focus on communication to clients, to ensure that the Fair Wear Foundation process is explained comprehensively to our customers.

5.2. Activities to inform manufacturers and workers

Immediately after we joined the Fair Wear Foundation, we informed each supplier with the request that the information be passed on to their workers. However, we could see during our first 4 audits at the end of 2013, that not all workers are aware of the Code of Labour Practise. For this reason, we will help all of our suppliers to implement the workplace education program from FWF and its stakeholders. This will take place in 2014, more informations about this in the social report of 2014.



6. Transparency & communication

We issued a small CSR version to inform our customers about our responsibilities and our general way of working. This small version is available as a download on our webshop and a printed version in our shops and the showrooms of our agents. From 2014 on an extended version of the CSR will be ready for download on our webshop.

7. Stakeholder Engagement

We are very happy about all the information material Fair Wear Foundation provides together with its stakeholders; they are a big help in the daily work. We worked with the country studies of China to be prepared for our work on the Corrective Action plans.