

DW-Shop GmbH

DW-SHOP

www.dw-shop.de

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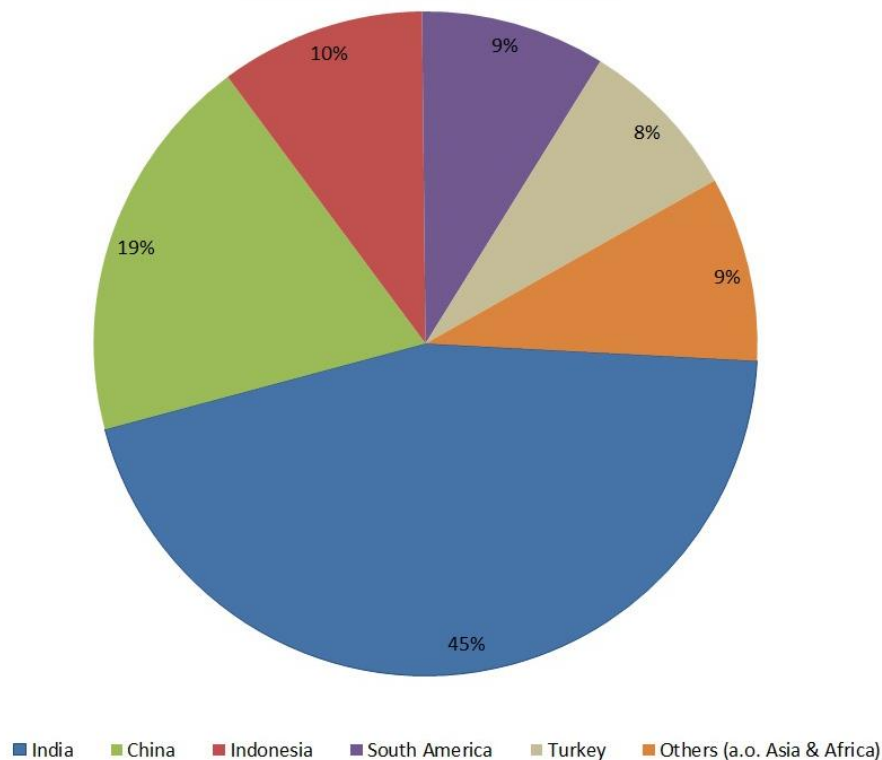
Summary: goals & achievements in 2014/2015

DW-Shop (DWS) was founded in 1976 through an initiative of *Deutsche Welthungerhilfe* as a sales platform for products of its supported development projects in Africa, India and South America, based on the "aid by trade" philosophy.

We are keeping this philosophy by implementation of FWF Code of Labour Practices, keeping long lasting relationship with suppliers and co-operating with small units like co-operatives or family business, many of them being member of Fair Trade Organisations like WFTO (World Fair Trade Organisation).

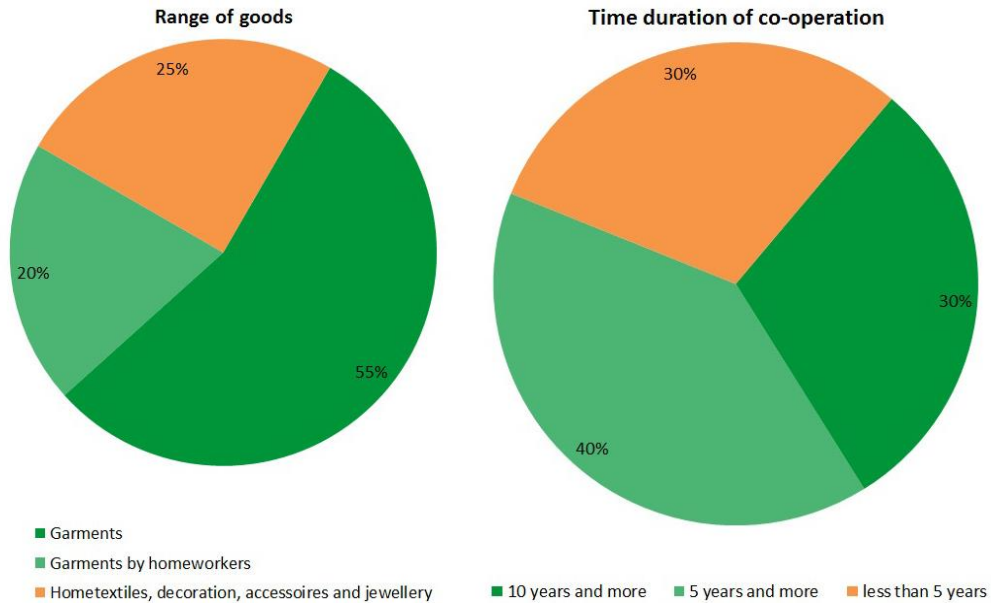
DWS has a wide range of different products: garments as well as hometextiles, jewellery, accessories and decoration items. This implies a wide range of different producers in many different countries, each of them with his specific items. Products besides of garments, f.i. decoration and jewellery are also bought in Bangladesh, Cambodia, Chile, Colombia, El Salvador, Guatemala, Kenya, Nepal, South Africa, Sri Lanka, Thailand and Vietnam.

Countries of complete DWS range



More than 75% of our goods are garments, mainly from India. We import also from China, Indonesia, Peru, Bolivia and Turkey. Each producer has his speciality garment which is important for our range. Therefore we didn't achieve consolidation of supplier range as planned.

About 20% of our garments are made by homeworkers in Indonesia and South America. In October 2015 a homeworker policy is adopted by FWF and we will be able to examine working conditions, labour and social standards in more systematic way than before. So far volume of these homeworkers couldn't be included to threshold. Co-operation with 30% of our producers is more than 10 years and even 70% are partners for more than 5 years.



DWS couldn't achieve monitoring threshold of 90% production under monitoring because of homeworkers and three audits couldn't take place for producers with 11% of our FOB value. Meanwhile two of these companies are BSCI audited at least and we are following up audit report and corrective action plan. During next visit these producers will be examined most critically. We started to investigate suppliers with homeworkers more detailed due to discussion about FWF homeworker policy.

All new suppliers have to sign FWF Code of Labour Practices after talking about elements of code and social standards resp. human rights. We ask for posted workers information sheet, explanation of the same, workers committees resp. workers representatives and grievance systems. Focus of committees are anti sexual harassment committee. DWS keep up these details with long lasting suppliers too. We discussed Syrian refugees and FWF guidance document with our suppliers in Turkey.

We improved our supplier database including evaluation system where compliance with labour standards is criteria. The new planning system with time table is a good support to the general discussion of production time and delivery dates for avoiding overtime. Still there is a lot to do in order to implement the labour and social standards, to organize it more systematically, to increase leverage with producers and analyze root causes.

1. Sourcing strategy

1.1. Sourcing strategy & pricing

Main issue is co-operation with long lasting suppliers, building a strong relationship regarding capability and social specifications. Audits show that many issues have to be improved still. This knowledge helps in co-operation with other producers.

Central criteria for choosing a new supplier is range of products and its quality as well as labour and social standards. FWF questionnaire is discussed at the beginning and has to be signed before getting an order. During factory visit it will be checked that company follows safety standards and elements of Code of Labour Practices, f.i. by using checklist "Comment Health and Safety Problems" resp. "Basic Health Safety Check for CSR Staff". More details are discussed in the beginning of new co-operation like workers representatives or grievance mechanism.



Since DWS is a rather small company working together with a supplier also depends on its geographical location. Suppliers situated in northern India or the Shanghai area are preferred since this allows easier handling (Inspection & quality control) and less costs for our India (New Delhi) and China (Shanghai) office.

Prices are discussed with suppliers individually and judged according to experience of Managing Director Purchasing and chief buyers who are well aware of materials, patterns and approx. production time. They decide which manufacturers get orders.

DWS maintains an office in India with local staff: Mr. Rajesh Jaitly and his team. DWS works with the technicians Ms. Claudia Lan in China, Mrs. Berna Olcer in Turkey, Ms. Margot Geppert in Bali and Mr. Bhimo in Java. Main task is support in production and quality. They visit the suppliers on a frequent basis and also help to check safety and health standards as well as follow up of CAPs. All of them support DWS in finding new suppliers according to requirements reg. styles and social compliance.

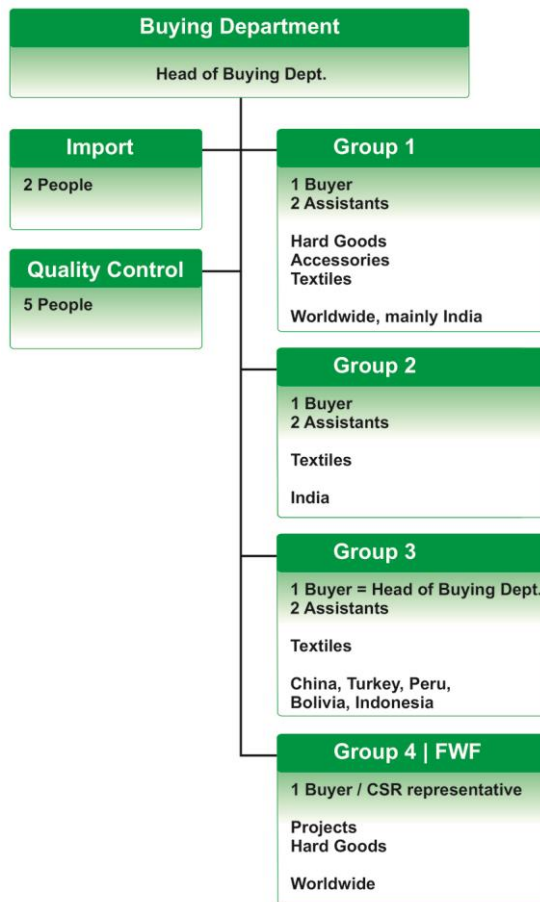
1.2. Organisation of the sourcing department

Group 1: Hard goods (decoration items), Hometextiles & Accessories

Group 2: Textiles / India

Group 3: Textiles / Indonesia, Peru, Bolivia, Turkey, China

Group 4: Projects/hard goods, CSR



1.3. Production cycle

DWS produces three collections every year, with about a 60:40 summer winter ratio. Production planning on the suppliers side is usually six to eight months with an average lead time of approx. 90 days. Planning and delivery dates are discussed with producers for better planning and avoiding overtime. There is a time frame (around four weeks, sometimes six weeks = time buffer for avoiding overtime) between agreed shipping date and real shipment as per planning system introduced in 2014. Supplier is not punished in case of delayed shipment.

1.4. Supplier relations

DWS values long lasting co-operation. New suppliers are selected according to offered products, then social & labour standards are checked during visit of factory by buyer and/or by staff resp. intermediary according to FWF standards. Further details are described by "sourcing strategy"

During the last financial year one of our biggest producers in South India closed, this year we have the same situation with one of our biggest producers in North India. Another supplier in Turkey closed this year too.

Until now there is not a reward system for good social performance. Orders have been placed by the needs of the buying department. But buyers are trying to favour suppliers with good performance. Bad social performance involves a detailed and critical follow up and might cause punishment.

1.5. Integration monitoring activities and sourcing decisions

We use our improved supplier database as monitoring system to evaluate the social performance of our producers. Social performance is not yet connected to sourcing decision by means of a written policy but rather by some sort of "soft" decision support.

DWS doesn't start business with companies who don't accept FWF standards and don't sign Code of Labor Practices. If major issues are found during an audit or are reported otherwise we investigate and ask immediate action. We didn't make the experience of unwilling producers and didn't have to reduce order volume or stopping co-operation so far.

2. Coherent system for monitoring and remediation

DWS monitoring system states supplier, production location, number of workers, leverage as well as audits and more details. Most suppliers are visited at least once a year by Managing Director Purchasing and responsible buyer. Buyers are prepared by CSR representative for checking standards like health & safety as well as workers information sheet and any special details. Local staff and intermediaries are visiting more often.

Selection for audits considers factories of high importance and percentage of production as well as long lasting co-operation resp. future co-operation shall be guaranteed as far as possible.

2.1. Country India

Producer 2465

FWF audit: December 27, 2014
DWS production: 100%
Visited: yes
Findings: wage records incomplete, personal files and overtime register missing, two workers in helping section didn't get minimum wage but all workers get relatively high bonus and more benefits like school fees for workers' children. Management started improvements immediately (on 04.01.15), wages were corrected, records and registers maintained. All necessary measures according to CAP are followed up. Workplace Education Programme took place in July 2015.

Company no. 2465

FWF audit: December 5, 2014
DWS production: 20%
Visited: yes
Findings: documentation was not maintained/gross non-compliance, health and safety in bad condition, production outsourced. CAP is followed up and new audit including subcontractor is planned.

Factory no. 5376

FWF audit: April. 28 & 29, 2015
DWS production: 1 – 2 %
Visited: yes
Findings: documents were not available/not maintained properly, indication of excessive overtime and payment below minimum wages, critical concerns of OHS and no system of internal grievance mechanism. Meticulous follow up because audit result didn't accord with DWS assessment. Documents were sent immediately after sending CAP. Re-visit was agreed to clear situation of audit/findings. Visit on Sept. 19, 2015: further training and guidance regarding compliance is necessary. Both CAPs are followed up in detail.

Producer no. 2503

FWF audit: April 9, 2015
DWS production: 10%
Visited: no
Findings: documents were improper and don't match, basic legal minimum law & wages were not followed, OHS poor, indication of poor working conditions and overtime, mix up of production sites. CAP follow up with strong support by local staff.

Factory no. 5933

FWF audit: April 16 & 17, 2015
DWS production: 2%
Visited: yes
Findings: bad internal grievance system, excessive overtime and payment below minimum wage of security guards, work lay off. CAP is followed up.



Social Report [July 2014 till June 2015] – past financial year

Producer no. 7517

BSCI audit: October 9 – 11, 2014, re-audit in October 2015
DWS production: 3%
Visited: yes
Findings: workers were not informed properly about BSCI code of conduct, no internal system for identification of improvements on social policies, procedure for dealing with serious illness/trauma not established, no risk analysis for transmittable and not transmittable diseases. Once a year pilgrimage free of cost for all workers. BSCI CAP and other aspects according to FWF standards are followed up.

Factory no. 5916

BSCI audit: July 7, 2015
DWS production: 7%
Visited: yes
Findings: documentation of building plan and OHS (electricity & emergency), grievance mechanism have to be improved. BSCI CAP and other aspects according to FWF standards are followed up.

2.2. Country China

Producer no. 2479

FWF audit: November 13 & 14, 2014
DWS production: 6%
Visited: yes
Findings: miscommunication regarding freedom of association and the right to collective bargaining, no trade union, workers have low awareness of labour rights, excessive overtime. Factory provides annual bonus. CAP is followed up.

Factory no. 2518

FWF audit: April 29 & 30, 2015
DWS production: 3%
Visited: yes
Findings: workers are not aware of labour rights resp. Code of Labour Practices, excessive overtime – CAP is followed up.

Company no. 3768

FWF audit: Nov. 5 & 6, 2014
DWS production: 10%
Visited: yes
Findings: records of working hours and wages are not maintained properly, excessive overtime, many health and safety findings. CAP follow up in co-operation with 'Odd Molly'. Root cause analysis was showing that DWS orders didn't cause overtime. WEP is planned.

2.3 Country Turkey

Producer no. 7434

FWF audit: August 17, 2015
DWS production: 7%
Visited: yes
Findings: audit report pending, preliminary findings didn't accord with DWS assessment. Discussion of preliminary findings.



2.4. External production

DWS don't buy garments from other brands for resale in a retail or wholesale (web) shop owned by the affiliate.

3. Complaints handling

DWS got complaint in June 2015 regarding “final payment settlement” for two workers. After following our internal procedure we contacted supplier and additional payment was made, complaint closed end of June.

We turn our special attention to grievance mechanism and workers representatives resp. committees. CSR representative asks for picture and explanation of workers information sheet as well as for details of grievance mechanism and suggestion resp. complaint box. Upon receipt of any complaint we discuss internally and producers are contacted immediately. Information about complaint are included to internal supplier database. During visit of buyer complaint is discussed again.

4. Training and capacity building

4.1. Activities to inform staff members

All employers are informed about FWF membership, further information is given by newsletter. All staff members involved in the execution of monitoring activities are briefed by CSR representative about general issues of social compliance and the detailed requirements for successfully fulfilling FWF membership. Audit results as well as details of German and international stakeholder meetings are communicated.

4.2. Activities to inform agents

Local staff in India was trained by FWF. During visits social & labour standards of producers are discussed and staff gets all correspondence concerning social compliance, audits and CAP follow up. Technicians in China, Indonesia and Turkey were informed in detail and get all correspondence concerning social compliance, audits and CAP follow up. During visits social & labour standards of producers are discussed.

4.3. Activities to inform manufacturers and workers

Manufacturers are informed by buyers about FWF membership and standards. Furthermore official letter as well as FWF questionnaire are sent and returned before giving an order. Companies are asked to inform their employees and to post the FWF Code of Labour Practices as well as contact details of complaint handler accessible for all. CSR representative follows up by checking pictures of workers information sheet, asking for grievance mechanism and workers representatives resp. committees. We started further communication regarding monitoring homeworkers (phase 1 as per FWF requirements) during visit in Indonesia and by mail to South America.

5. Information management

Buyers talk about production location and any subcontractors with suppliers, check production locations during visits. If producer co-operates with subcontractor and location is nearby it's visited by buyer too. Local staff and technicians inform DW-Shop in case they notice any irregularity concerning production locations/subcontractors. CSR representative as part of buying department is in constant touch with Managing Director Purchasing and buyers, provides necessary information (incl. country studies and plans as well as wage ladder), maintains supplier register at FWF website and updates in regard to changes of companies' compliance status after notification by the buying department and/or local staff resp. technicians. Internal supplier data base is improved and includes production location/subcontractors, number of workers, leverage as well as audits and main issues of audit/CAP.

6. Transparency & communication

FWF membership itself is communicated with the FWF logo in the service section of each catalogue as well as part of our corporate website. Website was launched and our customers are able to reach information about FWF within two clicks from almost every site on our website. It is also topic of two articles in our blog section. Please see <http://www.dw-shop.de/soziale-verantwortung-fair-wear-foundation> and <http://www.dw-shop.de/aktuelles>. Use of FWF logo for our shops in Bonn and Düsseldorf was cleared and posted at doors and windows. This will positively impact our communication efforts about FWF. Annual social reports are published online.

7. Stakeholder Engagement

There is no stakeholder group engagement by DWS. We use FWF stakeholder resources, information given in audit reports and country studies for analysing work place environment resp. production location.

8. Corporate Social Responsibility

DWS by contract supports german NGO *Welthungerhilfe* (www.welthungerhilfe.de) with part of its yearly earnings and has contributed a total of 25+ mio Euros over the last 36 years. The money helps to finance *Welthungerhilfe* projects all over the world.

All DWS employees participate in a payroll giving activity. The collected money is donated to the *Deepam* project for children with special needs (www.deepam-auroville.in) in Tamil Nadu / India.

DWS as an employer makes sure that all employees are treated fairly and voluntarily receive amenities such as additional monthly salary as Christmas payment amounting to 1/12th of yearly salary, additional payment to private old age rent, taxfree compensation for capital accumulation purposes, life insurance, 30% discount on public transportation season tickets. DWS employs handicapped workers and built solar panels at roofs of his building eight years ago. Environment protection is also part of the responsibility.