

A photograph of two young women standing outdoors on a wooden boardwalk. The woman on the left is wearing a blue denim jumpsuit and carrying a striped tote bag. The woman on the right is wearing a blue and white striped long-sleeved shirt. They are both smiling and looking towards the camera. In the background, there is a white lighthouse and a clear blue sky. The bottom of the image shows their feet wearing white sneakers on the wooden planks.

SOURCING REPORT

2015/2016

TAKKO
FASHION



Preface

Sustainable success means far more than the cold facts of a commercial balance sheet. It means being aware of the people who are working for and with Takko, both directly and indirectly. This makes being responsible in our business an important mainstay of our company's policy.

As a fashion retailer operating stores across Europe and maintaining business relations around the globe, we believe it is our duty and in our best interest to maintain absolute transparency at every link in our value chain. To achieve and build on lasting results in this area, we are constantly working on and refining our processes.

We consider our efforts to be a long-term commitment and a process of constant and steady improvement and development. We are fully aware of the challenges ahead, but are also convinced that we will continue to advance, step by step, towards our goal of fully responsible business practice. With the Fair Wear Foundation as our partner and with our membership in the Accord on Fire and Building Safety in Bangladesh and the campaign for sustainable fashion, we are perfectly placed to embed our company's values and commitments in all areas of our everyday work.

The management team



1,850
stores

17,000
employees

16
countries

Our corporate responsibility mission

As a fashion company operating around the world, we have accepted responsibility for 17,000 members of staff, working in our head offices in Telgte, at our logistics hubs, in sourcing, in more than 1,850 stores across 16 countries, and in our procurement offices in Asia. As a direct importer, we also consider ourselves responsible for the people making our products in the many countries we are sourcing from. Our notion of sustainability means that we want to design all processes to be as efficient as possible in terms of the means and resources they use, we want to set social and environmental standards, and we want to fulfil our social responsibility even beyond our core business.

At all links in our value chain, we are committed to ecological, economical, and social considerations. We are aware of our responsibility and want to optimize our processes to live up to it every single day. Our focus lies primarily on corporate responsibility (CR) issues that are particularly relevant for our core business: our products, our employees, and our customers. This includes compliance with environmental and social standards in procurement, responsibility for our products, the safety and wellbeing of our employees, and our relations with the people we are working with.

All strategic goals for our CR activities are determined by our executive managers. Defining and acting on these goals is the responsibility of our dedicated CR board, which brings together leading managers from the areas and departments that are involved with the key issues concerning our corporate responsibility. The strategic direction chosen by our top management is used by the CR board to set up project groups and plan ways to reach our goals. An independent CR coordinator monitors and reports on the progress of these measures and has joint responsibility with the project teams on the ground for their success in our everyday operations. Our CR coordinator is also responsible for CR reporting, using dedicated indicators to find opportunities for improvement, set new targets, and keep track of relevant developments.





THE STORY OF TAKKO

*Fashion for women and the ones they love – at great value for money:
That is the mission of the approx. 17,000 people that make the Takko brand.*

In 1982, the first Takko store opened its doors in Rheda-Wiedenbrück under the original Modea brand. In 2000, we took our brand to the international stage.

Today, we are committed to making women happy in Germany, Austria, Switzerland, the Netherlands, the Czech Republic, Slovakia, Hungary, Romania, Poland, Belgium, Slovenia, Estonia, Lithuania, Croatia, Italy, and Serbia by giving them the mainstream trends they want. Our success proves us right: In its 30 years of history, Takko has become one of the leading fashion retailers in Europe.

All processes from the design of our fashion or the management of our personnel to our marketing are coordinated at our head offices in Telgte in Westphalia. Takko's sourcing is handled in Friedrichsdorf in Hessen, before our Takko products are distributed from our four major hubs in Telgte, Winsen, Schnelldorf, and Senec in Slovakia to around more than 1,850 stores in Germany and abroad.

From our roots as a traditional discounter with an extensive range of food and non-food products, the Takko brand has experienced an unprecedented evolution in the recent past. Concentrating on fashion and accessories and relaunching our brand and store portfolio in 2009 were the milestones on our road towards a modern Takko. Now we consider ourselves a friendly fashion retailer where our customers come to find casual trends and everyday fashion for themselves and the ones they love.



FOR THE WOMAN AND THE ONES SHE LOVES



ACCEPTING RESPONSIBILITY

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OUR CORPORATE RESPONSIBILITY IN SOURCING

a) Commitment

Our own commitment to social responsibility in sourcing and the standards of the Fair Wear Foundation underlie the following principles:

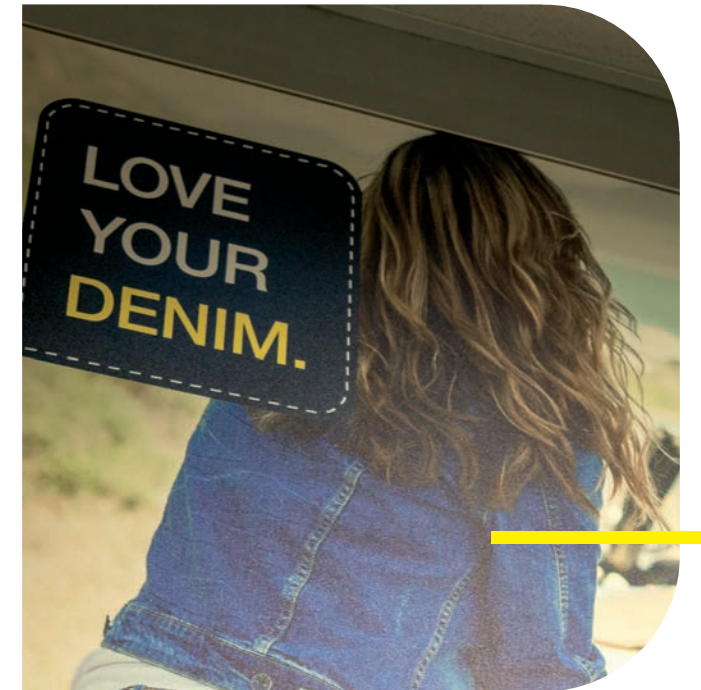
- We aim for maximum transparency about all production sites manufacturing goods for Takko.
- We form and develop the partnerships with our suppliers.
- We want to improve the working conditions for the employees of all of our manufacturers and suppliers step by step.
- We are building the necessary internal competences to promote and support the necessary processes in the best possible way.

b) Development

In its early history, Takko had no established procurement structure and relied exclusively on working with importers. In 2004, we took the decision to change these practices and began the vertical integration of sourcing. One important reason for this decision was the lack of transparency about the countries and companies from whom we were sourcing our products.

In order to exert more influence in this area, we gradually established the required sourcing structures. By late 2005/early 2006, we were already sourcing 41 % of our goods internally. In early 2007, this share had risen to almost 70%.

This increasing share of direct sourcing and the responsibility it brought for us made it necessary to revise our former terms and conditions in sourcing. As part of this process, Takko decided to join the Verband der Fertigwaren-Importeure (VFI). As signatories of the VFI code of conduct for suppliers and producers, we developed our own Takko code of conduct in line with the requirements of the International Labour Organization standards.



The key principles of our code of conduct are:

- No forced labor
- No discrimination in the workplace
- No child labor
- Freedom of association and the right to collective representation
- A living wage
- No excessive working hours
- Safe and healthy workplaces
- Lawful employment
- Protection of the environment
- Other legal requirements

The code of conduct was introduced first with our suppliers in India in 2008. At the same time, dedicated audit teams were established, and compliance with the code of conduct checked in a first set of factories. By now, the share of goods imported by our own organization had reached 90%.

The actions taken to enforce our code of conduct in India were later copied to Bangladesh. A first Social Complaints Audit & Monitoring Manual was produced. At the end of the financial year 2008/2009 (end of April 2009), our direct imports amounted to 95%.

In 2009, the code of conduct was finally implemented in China, where it is audited in cooperation with the TÜV Rheinland in local TÜV audits. At the same time, we began establishing our own auditing team in China.

After the successful restructuring of our sourcing structures and processes, we began tackling the other challenges relating to auditing and monitoring in the area with the aid of external partners. After intensive discussions, Takko decided to become a member of the Fair Wear Foundation on 1 October 2011.

Today, all sourcing is handled by our own sourcing team. The implementation of our own supplier evaluation tool gives us full transparency about orders as well as being a means for recording any breaches of our code of conduct and introducing the required corrective actions. In addition to the TÜV Rheinland, we are also working with the consultants of Sumations to conduct audits at our manufacturers in China and Bangladesh.

c) Goals and Achievements

Targets reached **in FY 2015/2016**

In the financial year 2015/2016, a total of 369 audits were conducted in our production countries (including follow-up audits at already audited sites).

95.49% of the goods purchased by us are sourced from audited companies. This means that we have accomplished our ambitious target of increasing the share of goods sourced from audited suppliers to over 90%. We have also passed the threshold defined by the Fair Wear Foundation for its members.

We are also increasingly using Oeko-Tex® as stated in our goals, and have expanded our material testing activities to improve product conformity.

We have also been able to consolidate our fabric and component supplies by optimizing our workflows, while also improving product consistency and legal compliance.

Targets **for FY 2016 / 2017**

For the financial year 2016/2017, we have set ourselves more ambitious targets, also in consultation with the Fair Wear Foundation:

- Conducting dedicated Takko factory training in Bangladesh
- Consolidating the number of production sites supplying lower volumes



OUR SOURCING PROCESS

a) Sourcing strategy and organizational structure

In order to be able to maintain and constantly improve on the exacting CR standards that we have chosen to apply in sourcing, a clearly defined organizational structure is paramount. The high priority awarded to this topic at Takko is immediately visible in that responsibility for it is allocated directly to our Chief Purchase Officer.

In Germany, our CR activities are managed by a dedicated department that collates and records all information, documents, audit reports, and corrective action plans. Our suppliers in India, Bangladesh, and China are supported by local Takko offices with their own CR units. These are also responsible for conducting audits and monitoring action plans, and they again report directly to the CPO.

New manufacturers and suppliers are selected on the basis of an exact review by our procurement team and our colleagues in the country. Important factors for a new business partnership include the capacities and manufacturing abilities as well as the quality and pricing of the products. On-time delivery and correct lead times also need to be guaranteed. We pay particular attention to the social standards at our potential partners, which we test in the form of pre-audits conducted by our national offices before any contractual partnership is established.

Before we start doing business with a potential partner, we inform them about our membership in the Fair Wear Foundation and ask them to sign our own code of conduct.

We also inform potential Bangladeshi partners of our role as signatories of the Accord on Fire and Building Safety in Bangladesh. If even a single item is rejected, we will not enter any partnership with the supplier. We will also terminate any partnership with companies that fail to take corrective action when grievances were recorded in an audit.



b) Standards in sourcing

The principles that we have chosen to commit to on the basis of the International Labour Organization (ILO) standards include the following items:

1. Fair working conditions

1.1 No forced labor

Employment is voluntary. Our manufacturers use no forced or unfree labor (e.g. inmate labor etc.)

1.2 No workplace discrimination

Recruitment, compensation, access to training, retirement, and all other forms of occupational relations are based on principles of equality and are not influenced by the following factors: race, skin color, religion, political belief, social origin, nationality, or disability.

1.3 No child labor

There must be no child labor. The minimum age for employment must not be under the legal school leaving age and must not be under the age of 15 in any case.

There must be no form of slavery or related practice, such as the trade in children, bonded labor, or forced labor, including the forced or bonded employment of children.

Young people between the ages of 15 and 18 must not do any work that could damage their wellbeing, safety, or moral development by its nature or by force of the conditions in place.

1.4 Freedom of association and the right to collective representation

Our manufacturers respect the right of employees to associate, organize, and engage in collective negotiations in a lawful and peaceful manner. Employees have the right to negotiate with the employer as a group. The manufacturers shall not penalize any employees for expressing their wishes or concerns.

If the freedom of association and right to collective representation is limited by law, the manufacturer must not obstruct any other lawful form of collective negotiation or labor organizations. Employee representatives must not be subject to discrimination and must have access to all workplaces required in order to fulfill their roles.

1.5 A living wage

Salaries and bonus payments for regular weekly work must meet the legal minimum wage or industry standard and must always be sufficient to satisfy the basic needs of the employees and their families and furnish them with sufficient discretionary income. No salary deductions are allowed as disciplinary measures, nor are any deductions allowed unless covered by national laws. Deductions must never mean that the employee in question earns less than the applicable minimum wage. All employees are to be informed appropriately and clearly about all components of their salary, including the wage rates and calculation periods.

1.6 No excessive working hours

The working hours of employees must be within the legal limits and industry standards. Employees must not be required to do more than 48 hours of regular work per week and must be given one free day in every seven-day period. Overtime must be voluntary, must not exceed 12 hours per week, must not be required on a regular basis, and must be compensated for with overtime pay on top of regular remuneration.

1.7 A safe and healthy workplace

A safe and hygienic work environment must be provided and health and safety at work must be promoted to the best current knowledge in the industry concerning potential risks. Due attention needs to be paid to risks specific in the industry and a safe and hygienic workplace is required. Rules for the prevention of accidents and avoidance of health risks are to be followed. There must be adequate access to safe drinking water and sanitary installations. Fire safety, adequate lighting, and ventilation are required. Manufacturers must ensure the same health and safety standards in all buildings used by their employees. All managers must treat their employees with dignity and respect. Physical threats, abuse, or injury, unusual penalties or disciplinary actions, sexual or other harassment, and general threats are prohibited.

1.8 Lawful employment

The employer's obligations in terms of the employees' labor and social rights and the obligations arising from regular employment must be complied with and not avoided by using agency labor or trainee programs not intended for the acquisition of competences or achievement of regular employment. Younger workers must have an opportunity to take part in training and education.

2. Environment

All applicable environmental protection laws and regulations are to be followed.

3. Other laws

All other applicable laws and regulations need to be complied with. This applies to production, pricing calculation, sales, and logistics. Applicable laws and regulations covers local and national codes, rules, and guidelines as well as relevant contracts and voluntary industry accords.

4. Subcontracting

No subcontractors must be used to manufacture Takko products or parts thereof, unless these have also signed and are complying with the company's code of conduct.



5. Monitoring and acceptance

Takko or third parties authorized by Takko must be allowed to engage in monitoring and auditing activities to check compliance with the code of conduct. This includes such activities as unannounced visits to check working conditions or the living conditions in employee housing, access to records and files concerning employees, and confidential interviews with employees. The production sites are to maintain the records required to prove compliance with the code of conduct.

6. Publication

The principles of the code of conduct must be communicated to all members of staff. A copy of the code must be posted in the local language and in an easily accessible location for employees.

7. No sandblasting

In order to prevent any health risks caused by sandblasting, sandblasting is prohibited as a finishing process in the entire supply chain for denim products. This has been the case since the introduction of the "No sandblasting policy" in 2012. The procedure, which exposes denim to a high-pressure jet of sand or similar material is strictly forbidden. To achieve the desired finish, alternative methods must be used that have no negative effect on the health of employees.

8. No fur

In May 2013, Takko became an official partner of the international "Fur Free Retailer" initiative. Takko is committed to removing fur from its entire collection. The initiative includes fashion retailers that have agreed in writing to avoid all use of fur in their products.

c) Production cycle in sourcing

It is our explicit ambition to provide our customers with stylish casuals, basic, and trend pieces for themselves and the ones they love. That is why our design team is regularly active in the fashion centers of the world to get inspired and scout for new trends. We adjust these to match the wishes and expectations of our customers and design clothes that they love.

The designs of Takko's products are born in our in-house product management unit in Telgte. Our colleagues send their finished designs to their counterparts in sourcing in Friedrichsdorf who have been overseeing the entire sourcing of Takko's products since mid-2014 and commission products from suppliers around the world to help us produce high-quality products at a perfect value for money. Our international offices then oversee the manufacturing of our pieces in the chosen countries.

We generally only purchase finished goods. We do not procure raw materials or other materials for our garments. Our purchasing prices are calculated by means of the "cost-sheet" process.

Since the production run is not immediately connected with the lead time for long or medium-term orders in particular, we order most of our products in the low season. The standard lead time for our orders depends on the style and product in question, but usually ranges from seven to nine months. Before our sourcing team clears entire orders for production, we receive samples from each supplier to check for quality, fit, and design in our in-house quality control labs at Telgte. After these checks have been passed and the order cleared, the products are ready to be manufactured. They are dispatched in cargo containers from their place of origin to national and international ports in the region. In Europe, the articles are distributed from our logistics hubs in Telgte, Winsen, Schnelldorf, and Senec in Slovakia to more than 1,850 stores in Germany and abroad – before finally making their way to the wardrobes of our customers.



d) Quality standards and quality management

We offer our customers high-quality fashion at affordable prices. We set ourselves quality standards for our products that go above and beyond what is required by law.

Our principle is to maintain all processes affecting quality in our own hands. We use effectively designed processes to be able to develop, purchase, and deliver large volumes of high-quality products efficiently, quickly, and on an international scale.

Uniform standards for our processes, products, and components represent the fundamental basis for our reliable quality. Our quality assurance professionals work closely with our designers, product managers, and buyers at every step in the development of our products. Our designers and buyers comply with strict standards and exacting requirements already during the first planning of our collections. They are always looking for innovative ways to fulfil our norms and guidelines without compromising on the fashion and style of our products.

Our quality management professionals monitor compliance with our standards before and during each manufacturing process. We inspect, test, and evaluate many factors from the make and quality of the material to the workmanship and fit of the finished garment. These tests cover physical traits such as the fastness of fabric colors, seam finish, and shrinkage during washing as well as compliance with the limits and thresholds on hazardous substances defined by law or propagated legitimately by consumer protection bodies. Our products are routinely monitored for harmful substances by independent and fully accredited institutes.

The intensive cooperation of all people and units involved in product developments enables us to constantly increase the quality of our products, accelerate our development cycles, and seize synergies between product development and procurement. We hold our manufacturers to the same standards as ourselves: We expect absolute fairness, honesty, and responsibility in every aspect of our business. Our goal is a lasting and trusting cooperation for the good of our customers.

e) Our presence

Number of production sites



STATUS QUO (DATE: WEEK 05 / 2016)



f) Auditing process

Our production sites are audited regularly to record and document any required improvements. Our dedicated audit teams in India and Bangladesh, TÜV representatives in China, and the German auditing specialists from Sumations also inspect the management of the factories and offer support with all measures to improve the working conditions on site.

By analyzing their audit results, our local audit teams can identify and follow up on specific focus issues in their supervision of production sites. This helps us optimize the social standards and conditions in the factories.

Any findings relating to the working conditions defined by the Fair Wear Foundation are followed up to achieve a basic and lasting improvement in the standards. The audits are particularly focused on identifying possible improvements in health and safety practices.

In terms of our purchasing volume from the individual countries (only own imports), a majority of our products have been sourced from production sites in India, Bangladesh, and China that have already been covered by the auditing process. In the financial year 2015/2016, a total of 369* audits were conducted.

Audit coverage in percent, calculated by FCA

Bangladesh	99.86 %
China	98.05 %
India	98.05 %
Rest of World	51.61 %

↓
For all countries, this means a total of 95.49%.

Number of audits

A total of 369* audits were conducted in the following countries:

Bangladesh	330
India	11
China	24
Rest of World	4

* This includes pre-audits, follow-ups, and surprise audits at already audited sites.

MEMBERSHIP IN THE FAIR WEAR FOUNDATION

a) Complaints and grievances

One essential element of our membership in the Fair Wear Foundation is our use of a comprehensive complaints and reporting system that guarantees for transparency. The system allows the people employed by our suppliers and manufacturers to report any incidents and grievances directly to us. We want to make sure that the system always works. That is why information about the different ways to reach us is posted in the local language, including the right ways to contact our country office or the complaints hotline of the Fair Wear Foundation. Other incidents or grievances are also reported by third parties, such as NGOs active in the regions.

It does not matter how and where we learn about grievances or complaints: We will always take immediate action on them. This is done in close cooperation with the colleagues of our country organizations, the members of the audit teams, and representatives of the Fair Wear Foundation. Transparency is key for all people involved in such processes.

We consider every single complaint to be positive proof that our system is working and that the employees on the ground accept it as a source of real help. A working complaints system is an indispensable instrument when it comes to achieving lasting change for the male and female employees in the countries producing our products.

In the financial year 2015/2016, we received four complaints. The incidents and our responses are outlined in the following. For more detailed reports, please visit the homepage of the Fair Wear Foundation: www.fairwear.org

Case 1

COUNTRY

Bangladesh

COMPLAINT RECEIVED

12 May 2015

THE INCIDENT

An employee who had been working as an operator at the factory since 1994 was posted to another factory of the same group in 2006. He refused to accept another reassignment, as he was worried about being made redundant at the new place of work. In response to his refusal, the local management asked him to resign. He left the factory without signing any letter of resignation. The factory has not yet offered him any severance pay.

TAKKO'S RESPONSE

We immediately contacted the manufacturer's local management.

THE PROCESS / STATEMENT BY THE FACTORY

A meeting was arranged for 23 August 2015. No agreement was reached during the meeting, and the managers did not confirm the facts. According to the management's statement, the termination was handled in accordance with local law.

CASE STATUS

Unresolved – The employee has indicated that he would be taking legal action.

Case 2

COUNTRY

Bangladesh

COMPLAINT RECEIVED

21 June 2015

THE INCIDENT

An employee handed in his notice on 30 April 2015, which was not accepted by the local management team. He resigned again on 24 May 2015 and began work in a similar position at another factory on the following day. He was informed that he would receive all outstanding salaries on time.

His monthly wage was an average of BDT 10,000.00 to BDT 11,000.00 (including overtime pay). Since he had not worked for the whole month of May, he was due BDT 8,500.00 (including overtime). On 7 June 2015, he received a final payment of BDT 6,500.00. When he asked for an explanation, he received no answer from his former managers, and he has not yet had any explanation after several further requests.

TAKKO'S RESPONSE

We immediately contacted the manufacturer's local management and arranged a meeting.

THE PROCESS / STATEMENT BY THE FACTORY

During the meeting on 6 August 2015, the local employees and management team were interviewed. The FWF concluded that the demands of the worker were justified and that he was due the payment of BDT 2,000.00. The management agreed to make the payment.

CASE STATUS

Resolved – The employee has confirmed that he has received the remaining BDT 2,000.00 and is satisfied with the outcome.

Case 3

COUNTRY

Bangladesh

COMPLAINT RECEIVED

22 June 2015

THE INCIDENT

An employee who had worked at the site for 3.5 years had been away from work for two days as a result of his wife falling ill in June. When he returned to the factory, he was informed that his contract had been terminated. He received a payment of BDT 4,200.00, instead of BDT 9,800.00 for the month, and the Eid holiday bonus as well as other payments, which he believed were due to him, were withheld.

TAKKO’S RESPONSE

We immediately contacted the manufacturer’s local management.

THE PROCESS / STATEMENT BY THE FACTORY

A meeting was arranged for 23 August 2015. No agreement was reached during the meeting, and the managers did not confirm the facts. According to the management’s statement, the termination was handled in accordance with local law.

CASE STATUS

Unresolved – The employee has indicated that he would be taking legal action (together with the employee from Case 1).

Case 4

COUNTRY

Bangladesh

COMPLAINT RECEIVED

31 July 2015

THE INCIDENT

The site’s security staff are required by their contracts to work 8 hours, but the local managers required them to work 12 hours. The additional 4 hours were not paid for according to the applicable law on overtime pay. Furthermore, security personnel were asked to work on holidays without compensation leave or overtime pay. They decided to not accept any more holiday work before the management agrees to offer appropriate compensation for it.

TAKKO’S RESPONSE

We immediately contacted the manufacturer’s local management.

THE PROCESS / STATEMENT BY THE FACTORY

A meeting was arranged with the local management team for 6 August 2015. During the meeting, the managers were interviewed and available documents reviewed. The managers confirmed the grievances and suggested the introduction of three 8-hour shifts. If overtime is required, it will be paid overtime. The correct payment of security staff during holidays was not discussed during the meeting.

CASE STATUS

Unresolved – The introduction of the new shifts and the payment issues will be reviewed in another FWF audit.



b) Information and communication

Keeping our employees up to date about our sustainability efforts matters a lot to us. Our people are the most important ambassadors of our brand and the company, and they are the face of Takko that our customers see. Our colleagues in the many areas of our organization are also the engine of our success at Takko.

To keep them updated about current CR targets and activities, we employ a range of means of communication: Background information and interesting news are available on our homepage, which also includes the Sourcing Report. In addition, our employees receive regular progress reports about our CR projects in our in-house magazine and our biweekly management newsletter, the "Friday Message".

Over the course of 2013, all of our employees received training with detailed information about our FWF membership, the auditing processes, and the social responsibility we express in them. The CR briefing for our new employees is a permanent part of the onboarding phase that every employee goes through when starting his or her new job with us.

We also put a lot of emphasis on communicating with our external partners. We need to work together to achieve lasting improvements in the working conditions at our manufacturers and reach the goals we have set for ourselves.

Our established business partners were notified immediately about our decision to join the Fair Wear Foundation and the duties and obligations that it entails. When we establish new business partnerships, social standards and corporate responsibility are a regular part of our contract negotiations.

The Takko offices near our manufacturers give our partners and their employees the information they need in the language they speak. The Fair Wear Foundation supports our endeavors by providing information leaflets and posters that explain the Takko code of conduct and the principles of the Fair Wear Foundation. These are checked whenever our audit teams or buyers are on site.

c) Training

We are keeping our suppliers and manufacturers constantly informed about our sustainability targets and standards to improve the conditions in manufacturing. On top of that, we regularly invite them to training and seminars on a range of issues, hosted in partnership with the Fair Wear Foundation.

Our efforts place particular emphasis on workplace education programs (WEP), which include local training for the managers of factories and their employees as well as special supervisor training. The aim is to empower managers and workers for internal communication and for resolving their internal conflicts as a means of raising the working standards for everybody involved. In the past financial year, a total of five manufacturers from Bangladesh and nine from India took part in these workplace education programs.

The Fair Wear Foundation has also conducted a workshop on "Fire and Safety Compliance" in Bangladesh, which a total of 38 producers working for Takko and four other suppliers attended.

Our dedicated Takko team in Bangladesh has taken part in the Fair Wear Foundation seminar on "How to build sustainable garment supply chains & How can brands and factories work together to improve labor conditions for garment workers in Bangladesh", giving a presentation on "Challenges in Industrial Relations – The importance and challenges of compliance with labor standards for European brands".

We are committed to improving the quality of our audits. For this purpose, our internal audit teams were regularly trained by the Fair Wear Foundation. An in-house training programs has now been developed to enable our audit teams to instruct the personnel at our production sites even more effectively. A first set of courses has already been held at five factories in Bangladesh, seven factories in China, 14 factories in India, and four sites in Myanmar.

SUPPORTING THE ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH

After the catastrophic collapse of a clothing factory in Bangladesh in April 2013, the Accord on Fire and Building Safety in Bangladesh was introduced to improve fire protection and building safety for workers in Bangladesh. The Accord is a legally binding agreement between the international trade unions IndustriALL and UNI Global, local unions in Bangladesh, and international brands and retailers. The International Labour Organization acts as the independent chair of the Accord.

Over 200 global fashion brands, retailers, and importers from more than 20 countries have signed the Accord.

Regular inspections at the factories and production sites of the member companies and training for the workers and operators on site are intended to achieve a lasting improvement in safety. The inspection reports are made available to the factory operators, the relevant companies, and labor representatives to develop Corrective Action Plans (CAP) with clear deadlines and dedicated financing. The main responsibility for implementing CAP actions lies with the so-called "lead brands". Those are the companies with the highest purchasing volume from the production site in question.

To encourage factories to complete the work required by the Accord program, the participating brands and retailers are setting up trade agreements with the suppliers and manufacturers. These are intended to ensure the financial viability of the standards and requirements for the manufacturers and to protect jobs, while still guaranteeing that the required safety measures are introduced.

In case of a full or partial temporary closure of a factory in response to CAP requirements, the member companies cover six months' wages for the employees of their suppliers. A failure of suppliers to comply with the requirements can lead to formal warnings or the eventual termination of business relations.

The inspection reports are published regularly on the Accord's website.

Over 1,600 factories and production sites are already covered by the Accord. Takko still maintains business relations with 118 of the original 198 factories listed for Takko. At 25 of these 118 active sites, Takko holds the lead brand status. We are also registered as the lead brand for eleven of the 80 now delisted sites. All 198 original sites – active and inactive factories – have been covered by the Accord's inspections.

In consultation with the Accord's representatives and with the factories on the ground, CAPs are defined with detailed remedial actions to ensure the immediate remedying of any identified problems. Our local audit teams ensure constant monitoring of the activities, and our sourcing professionals in Germany track and monitor all CAPs to ascertain progress in the field.



SUPPORTING THE PARTNERSHIP FOR SUSTAINABLE TEXTILES



The Partnership for Sustainable Textiles brings together enterprises, trade unions, and representatives from civil society and Germany's overseas development aid community to improve the still lacking social and ecological standards in the production of clothing and fashion. We have joined the 170 members of the partnership from industry, NGOs, trade unions, and Germany's federal government.

The campaign channels the influence and expertise of its members to achieve higher social, environmental, and commercial standards at every step in the fashion value chain. It purposes its goals on four strategic dimensions:

- Joint definition of the goals of the campaign, requirements and deadlines as well as monitoring processes;
- Improvement of the conditions in the production countries and recommendations for policy decisions in Germany and the EU;
- Transparent communication about progress in the campaign's work and sustainable clothing production in general;
- Establishment of a platform to track progress and check and support the viability of plans, share experiences, and learn from other members of the partnership.

The members of the partnership are committed to developing specific approaches for improving the working conditions in textile production in aspects concerning the use of chemicals, natural fabrics, the social standards, and the payment of a living wage. Their scope is the action plan agreed by the partnership, which includes ambitious social, ecological, and economic goals that all members have subscribed to.

The partnership defines specific requirements and deadlines for every company participating in the campaign to establish a process of steady and continuous progress. The partnership also acts as a platform for the members to check their progress towards the goals, to share best practices, and to learn from each other.

Germany's federal government is also a member of the partnership, represented by the Federal Ministry for Economic Cooperation and Development and other state departments. It supports the success of the Partnership for Sustainable Textiles in a variety of effective ways.

Legal notice

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