

Social Report 2016

ALBIRO HOLDING AG

Switzerland

Brands:

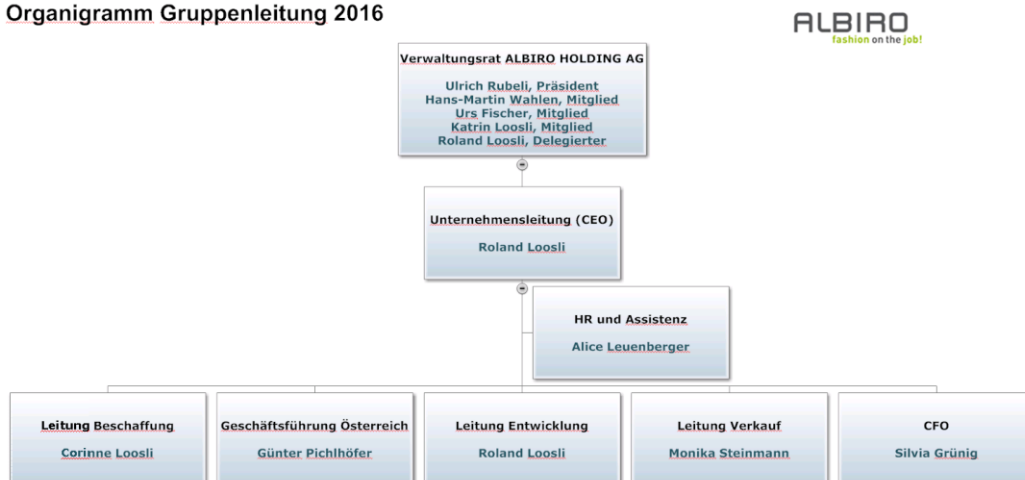


www.albiro.com

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Organigramm Gruppenleitung 2016





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Preface

The ALBIRO Group is an owner-managed company and exists since 190 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 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 (FWF) 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 milestone of great importance for us. Our ethical attitude towards partners and suppliers is being regularly verified with the help of FWF, the Business Compliance Initiative (BSCI) and SGS as verifying institute.

During past financial Year 2016 we could renew our product portfolio to impress the market with new colours and Style flexibility. Good sales are needed to support our suppliers improving the workers wage levels.

SOME of our factory-Partners depend to 100% on our orders, we need to ensure, that we keep the business smoothly running to pay the full wage costs and upgraded wages in Macedonia. To do so, we cut our margins to support one Macedonian factory in a very special project together with FAIR WEAR FOUNDATION and the Dutch Organisation CNV. This gave us a start into a new area of production support helping to increase productivity aiming a sustainable wage increase. We learned, that it is not only about the financial support, we need a face to face partnership with our production partners to go step by step towards a sustainable wage increase.

In the other production countries we could settle the missing Health and Safety issues and improve the management understanding for the workers needs. Audits are done frequently now, following FAIR WEAR FOUNDATION or BSCI Standard. This gives us a clue of the situation in a factory and helps to improve continuously.

We will go on working together with FWF implementing a sustainable way for the payment of higher wages in 2017.

The ALBIRO Group strives continuously to meet the stringent obligations of it's commitments made for a sustainable Corporate Social Responsibility (CSR).

Roland Loosli

CEO



Summary: goals & achievements 2016

China: As our leverage in the Chinese factories is below 2%, we strictly followed the strategic plan we decided in 2012. ALBIRO used a lot of factories in China with different intermediates, in 2016 ALBIRO could manage to move several styles from China to the 100% leverage factory in Morocco.

In China, new styles are developed with an intermediate with higher leverage in their factories and membership in BSCI. Visiting the office in Shanghai we found a good cooperation in training the factories management and the workers of the factories in the International Labour Organisation (ILO) Labour standards, using the newly available Foreign Trade Association (FTA) Academy.

Turkey: We moved some styles from China to Turkey, using a long term and a FWF shared supplier.

FWF offered trainings in Turkey, together with the other affiliate we managed to make a Workplace Education Program (WEP) at the factory. This is a small step towards more understanding for the FWF issues, we like to have implemented.

Macedonia: The implemented wage increase is paid since one year now and we can go on with increasing the productivity in the factory. Some key figures are in place, as we can measure productivity and started projecting skilled machines in the production line.

Morocco: In 2016 they started to arrange trainings for analphabetic and low skilled persons in French and Arabic. Technical improvements in the electrical system and fire fighting system have been made. The cooperation of the management in major issues regarding wages and health and safety is growing continuously.

1. Sourcing strategy

1.1. Sourcing strategy & pricing

ALBIRO is a family owned Company with three places of business in three countries:

In Switzerland the headquarter does the general strategic planning, rechecked and approved by the board of ALBIRO HOLDING AG.

ALBIRO AG Sumiswald supplies the Swiss market and ALBIRO Ges.m.b.H. Austria the Austrian market and supports the production of all ALBIRO brands. Sourcing the bulk materials for our orders, we can use European suppliers, following our strictly given OEKOTEX Standard 100 requirements. This helps us to care for health and safety issues at the material production sites as well.

The newest member of the ALBIRO family; ALBIRO kft Hungary with a small but skilled production in Tapolca. They are responsible for all FRENCYS branded garments, specially designed for Skiing schools. Besides the main season they help with sampling and preparing cutting files and marker for bulk production.

Brand	Information	Production Time tables
ALBIRO, Solida, Frencys	Corporate fashion and Tender – business: Clothes for Customer including officials With or without customers stock	Production based on customers orders or negotiated stock minimum
Marsum	Sold in big sales departements with warehouse backup NOS	Continously, is always in planning and can fill production gaps
Wikland	Sold in smaller departements stores for craftsmen and private use as well. Warehouse backup NOS	Continously, is always in planning and can fill production gaps

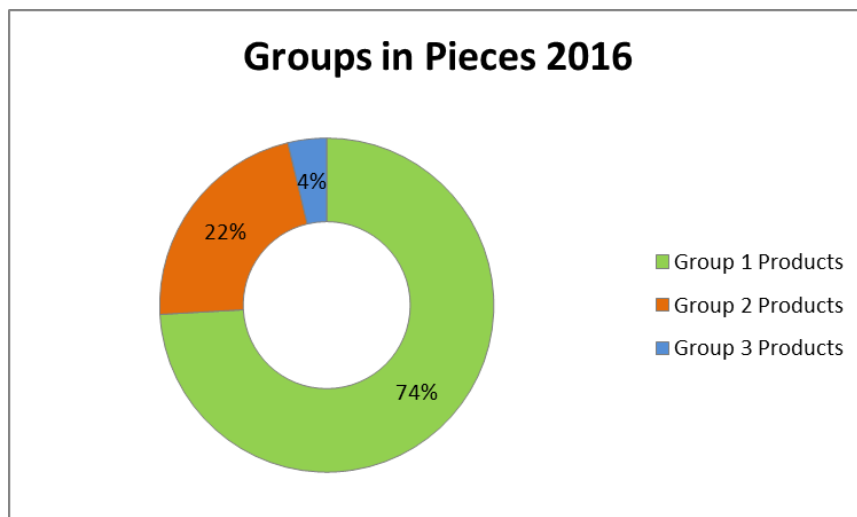
1.2. Organisation of the sourcing department

Group 1 products – we do material sourcing for own production orders: The sourcing of the materials for bulk orders is done in Austria and in Switzerland due to customs regulations. The purchasing in Austria with four persons care for all fabrics and accessories needed for the production of our orders Group 1. A small stock for Accessories and fabric helps to deliver the orders complete to the manufacturer.

The production management situated in Austria cares for the cooperation with the factory during the bulk production and for the price development and the efficient workout of new styles. Our common ERP System gives a transparent accessories list and calculation for all included parties.

Group 2 products have our own branding and we develop new styles together with the supplier. Sourcing goes directly with the supplier mainly in Europe and Turkey. Some special garments we need to buy in Asia, there we use one intermediate to develop all our new styles.

Group 3 products are not ALBIRO branded, it is an additional service for our customers, purchased from external suppliers. Here we try to use same suppliers for Austria and Switzerland, but mostly there are different brands required.



1.3. Production cycle

Wikland, Marsum and Solida branded goods are usually NOS (Never out of Stock) articles, so the planning is simple and regularly done. Our Enterprise Resource Program (ERP) allows to set minimum levels on stock to reorder missing sizes in time.

ALBIRO, a brand for projects and special customer related articles. We have a project procedure and time schedule, including the materials and production lead time from beginning. Tight schedules will be solved together with the production in postponing other orders. This is done in direct communication of production planning and the factory.

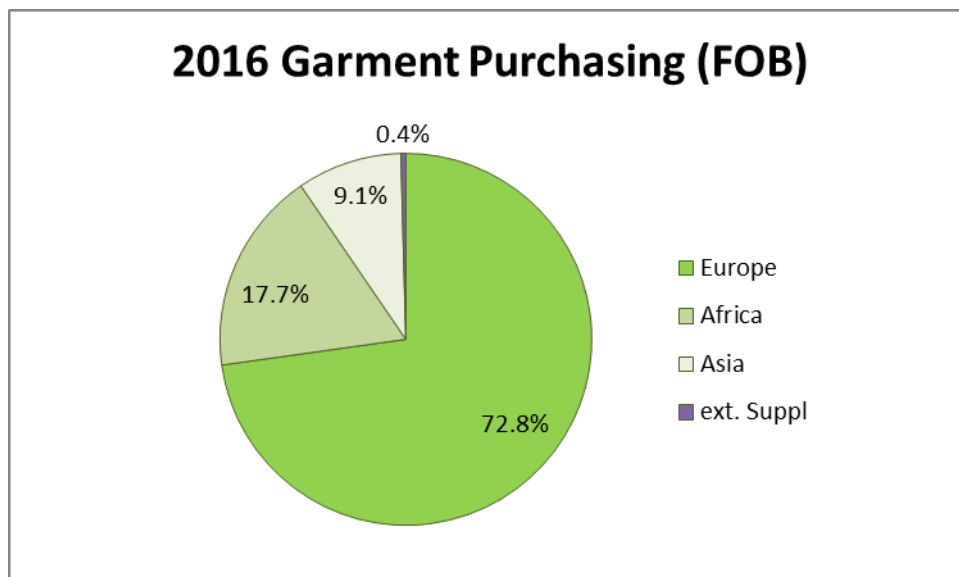
As we are doing workwear, we have no classical season. We know, when a tender will be given with a short production time range and we need to care to find the capacity. We prepare then already the factory to have orders in place we can move to a later delivery date to find the actual missing capacity.

1.4. Supplier relations

Working long term with same production site, there are only small changes at production sites. For our own orders we don't look for new factories. In Macedonia we can expand capacity in a short term within the already existing production partners building.

For Group 2 products from China our leverage was very small. New styles were developed with our partners in Turkey now. There is a tight partnership in working on Corrective Action Plans (CAP) and findings reports to improve the status of the factory due to the higher leverage in Turkey.

New factories listed are mostly in China. There the planning uses backup factories in case the capacity in the main factory is not enough. Our orders are not frequent and different styles, so finally there are different factories needed to cover our needs. As the intermediate is a BSCI member and the factories are approved by the intermediate first, we help to increase their leverage with our orders.

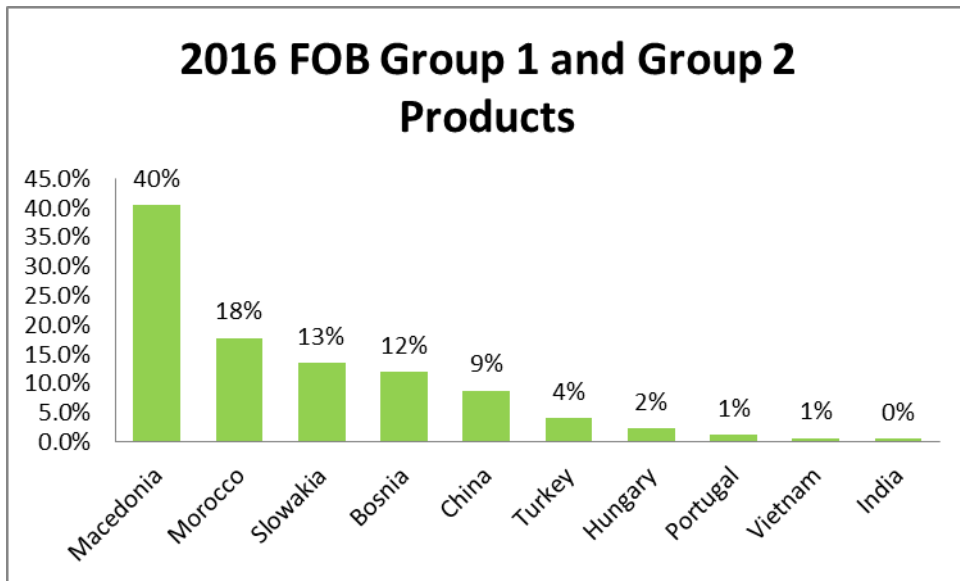


1.5. Integration monitoring activities and sourcing decisions

In 2016 we visited the Chinese and Vietnamese factories and their intermediates. This monitoring gave us an own impression about the situation of the workers and the production sites.

We will not finish the relationship to a supplier in case of a bad audit result. We will have a tight look on the details with them together and discuss the next steps to be done with the factory and the intermediate.

Here the countries we sourced our branded products in 2016:



2. Coherent system for monitoring and remediation

To know about the Situation and Status in a factory and to ensure improvement, we need audits from FWF or BSCI, depending on the available service in the country. Meanwhile we have actual audits of almost each factory. With BSCI having a rating C or worse, a follow-up Audit within one year is obligatory.

To avoid double audits we use the FWF Audit Assessment Tool to verify the missing information. We support the factory to improve their status following the FWF- CAP or BSCI-findings report.

We don't source in Bangladesh and Myanmar.

2.1. Macedonia

Macedonia is one of our main sourcing countries. There are three 100% factory partners and we do the monitoring with FWF Audits. We place our own orders Group 1 products, sending the materials and bringing back the finished garments to Austria and Switzerland. The biggest factory functions as agent for the two smaller factories.

In case of new Audits, we discuss the result directly with the factory. The usual way to work on the CAP is to visit them and to discuss solutions carefully. As first step we do the short term approved issues, easy to install. Documents related issues we solve with the FWF handler together. For a more strategic Quality management, we helped to



implement ISO 9001:2015 in 2016 joining a program of the Macedonian Chamber of Commerce.

The latest Audit report showed a lacking knowledge about the tasks of a workers representative and a board of workers. FWF offered to create a training for them, to work on a better understanding about a collective bargaining agreement we ask the fty to sign.

Following the CAPs calculation, annual Overtime exceeded the legal maximum. The fty will skip working all Saturdays and give Overtime as free time. We have a big influence in this, providing a careful production planning.

The minimum wages in textile-industry in Macedonia increase every year. As the young people don't like to work in garment industry, the factories need to find solutions for higher wages and machines to replace the missing productivity.

Working time from Monday to Friday, much higher wages than minimum and another wage system than piece rate are the projects the factory is working on to attract skilled newcomers. This development is an important step towards living wages.

2.2. Morocco and Bosnia

Morocco: The second 100% supplier for our own production group 1 products is in Fes, Morocco. They have BSCI Audits and all workers involvement and health and safety is in place.

Our QM and the production management visit them frequently and solve all production and sustainability related issues together. The management got trainings from us in social sustainability and they improved the common way of wage payments in Morocco to the legal requirement within the last years.

Missing trainings of the worker also regarding health and safety and the incomplete Management system are the main finding in the last BSCI audit report. The factory revised the available procedures and provided their corrective action via the BSCI platform remediation plan. ALBIRO helps to understand the meanings and supplies experiences with other systems.

Bosnia:

The shared factory in Bosnia has Standard SA8000 from the SAI (Social Accountability International) already implemented in 2015 and care for their audits by themselves. We share the costs with them. All findings of the first Audits are solved. Trainings are frequently done and re-audits help to improve continuously. Even the Standard is implemented already, they need to reach the revised standard SA8000 until 2018.

The other 100% Supplier has BSCI audit and made an immediate and thoroughly correction of the findings in the audit report and could improve the first result with the Re-Audit to a extraordinary score A. All health and safety and all management procedures are in place to ensure the minimum BSCI Standard. Workers Committee is voted, just the minutes of meeting are missing. The Audit report is valid for two years, so the next audit in 2018 will show how they keep on working on their commitments. ALBIRO mainly gives the financial support paying the audits and some recommendations once needed.

2.3. External production

ALBIRO uses about 20 external Suppliers, most of all in Europe. There are also sales companies, selling FWF brands to us as well.



The products are those, we can not produce by ourselves, as the amount is not enough or we don't do this kind of product. This can be belts, shoes, hats, knitwear and Personal Protection Equipment (PPE), T-shirts and shirts, accessories as scarfs and gloves.

As most of them are placed in European Union or Switzerland, most of the external suppliers have their own factory and production partners, or they supplied their sustainability and Code of conduct. The external suppliers are part of the approval process for suppliers, so we know about their commitment regarding social ability of their suppliers.

3. Complaints handling

2016 ALBIRO received one complaint from Morocco via FWF Amsterdam.

We placed the worker info sheet with the FWF e-mail address at the information board of the factory. One person sent FWF a complaint about missing support in transportation, hiring of less skilled workers without minimum payment and working contract and missing seniority payment. FWF complaints Handler helped to evaluate the complaint and could inform what to improve on factory and ALBIRO side.

Morocco has no regulation hiring or supporting handicapped and less skilled persons, as in Macedonia e.g. So the factory gives them a daily amount, but there is no contract and there are no wages, as they are not hired as workers officially. ALBIRO and the factory need to find a solution for them without sending this persons out of the factory. In general the factory will not replace leaving workers, also to include the less skilled workers in the production process for a legal working place. We asked the factory management to recheck again all possibilities carefully with the Ministry of work in Morocco to get a statement, explanation or a way how to register and to support.

Since three years the factory improved the payment of all additional social requirements and the seniority payment is the last one to be added in 2017.

ALBIRO improved the price calculation since 2014, revising the minute factor and training the factory how to measure the sewing time to calculate the daily target to earn enough money for all required payments.

In Morocco they pay time rate, not piece rate. This needs a special agreement regarding the daily target between the management and the line supervisor, they are doing already. ALBIRO now implemented a tight observation about the financial side to ensure that the factory has enough orders to fulfil the requirements. Also ALBIRO ensures the monthly income in case there are less orders or materials missing.

The main target of ALBIRO and the factory for 2107 is to have all payments in place and a good order situation.

4. Training and capacity building

4.1. Activities to inform staff members

All staff members in ALBIRO were informed about FWF and the commitment to the CoLP, when starting with FWF in 2012.

Our QM does trainings in sustainability every year for each department, including social commitments and the respect needed when sourcing and calculating. As we have ISO 9001, trainings are documented.

There is a process for new staff to be trained in Code of Labour Practice (CoLP) of Fair Wear Foundation and our CSR commitments and the job related parts, they need to respect.

Our production management is placed in Austria, but the QM person meets the production manager either in Austria or at the factory site frequently. There is a direct exchange about production planning and order arrangement, wages and overtime together with the factory. Pricing is one of our main issues. We revised the pricing system already in 2015, there is a clear calculation for both sides possible. This included trainings on both sides to find new minute factors and a correct sewing time schedule.

As overtime comes with a quality loss usually, Overtime is seldom needed. In case the factory has to work overtime to help to reach our delivery date, we know about and postpone other orders to give capacity. Sometimes some workers do overtime to cover missing capacity in the lines, this is absolutely voluntary. Trainings for Factory management and board of workers are planned, to improve the understanding of another wage system and working time management.

The person for production planning are already long time working for ALBIRO and have experience and knowledge how place orders to avoid overtime. Anyway there are annually trainings from our QM in Austria to give the latest developments and to get the actual problems to find solutions together. The factories are working tightly with the production planning in Austria and Switzerland together.

Projects as the living wage projects are approved by the board of ALBIRO and observed carefully by them and included in the annual budget.

4.2. Activities to inform agents

In Macedonia the agent for Import-Export is a factory as well and knows about CoLP. They had one of the first Workplace Education Program (WEP) there and we can ask our FWF Audit Team for direct help.

Our only agent in Europe (Slovakia) has BSCI, we share this monitoring with another supplier for workwear. Once there are trainings from Foreign Trade Association (FTA) Academy available, we will introduce the factories to join. Until then we inform the management carefully during our visits.

The main intermediate in China uses BSCI to monitor and train all factory management and staff with help of FTA Academy. There is a tight contact between ALBIRO Quality Management and the CSR responsible person in China.

The FTA as head of the BSCI offers much more trainings now and there will be more to expect. Our BSCI member agent cares to bring the factory management and representatives to the offered trainings. ALBIRO started to visit them frequently to have a direct exchange about the development with the factory and to find a better understanding for the needs of the business partners there.



The knowledge about social compliance and the fulfilment of the standards is a main issue in our partnership with our agents.

4.3. Activities to inform manufacturers and workers

ALBIRO always supports the factories management to use the FWF WEP or the FTA Academy, where available.

In Turkey and China we could manage to give a WEP training. The level of knowledge in Macedonia is already high, we are working on the training for workers representatives now.

In China the intermediate is BSCI member and they arrange trainings for management and workers. Also the factories management is invited to join the FTA Academy.

5. Information management

The Audit reports and findings give us a clue about the situation of implementation of the code of labor practice. In our Quality Management System we created an overview for the 8 standards and rate how far the productions comply. As BSCI member, we can see the development using Audits and Re-audits and the FTA dashboard shows us the total development of the production.

We use intermediates in China for our own branded group 2 products, there we know the factory and the backup in case of need. The biggest intermediate is BSCI member as well and they care for audits and trainings of management and workers.

6. Transparency & communication

Customers events are combined with information platforms, as there has been in Sumiswald in August 2016 and in Klagenfurt .

Our salesmen are visiting their related customers frequently and inform them about our commitments.

The last year social report and the actual Brand Performance Check are published on the ALBIRO homepage.

7. Stakeholder Engagement

ALBIRO Stakeholder and commitments regarding CSR:

Oekotex STeP [OEKO-TEX® | Business pages for industry and retail](#) for Switzerland, this includes the Oekotex 100 Standard for our Materials and Products.



ALBIRO is member of FTA and joined BSCI in 2009. There are three meetings every year, we can exchange with other members. BSCI and the FTA share the global developments with us as. [FTA](#)



ISO 9001 gives an annual audit and exchange about the quality development in other areas of Switzerland and Austria. [Swiss Association for Quality and Management Systems | SQS](#)



Bluesign is unique in development of hazardous free production processes in the textile industry. <http://www.bluesign.com/>



ALBIRO is member of SwissTextile [SWISS TEXTILES - Textilverband Schweiz](#) and Austria follows up the WKO BGN News carefully [WKO.at das Portal der Wirtschaftskammern - Interessenvertretung - WKO.at](#)

Glossary:



BSCI	Business Compliance Initiative of Foreign Trade Association in Brussels, European Union
CAP	Corrective Action Plan of Fair Wear Foundation Audit Report
CNV	Christelijk Nationaal Vakverbond – National Federation of Christian Trade Unions in the Netherlands
CoLP	Code of Labour Practice of Fair Wear Foundation
CSR	Social Compliance Responsibility
ERP	Enterprise Resources Program
FTA	Foreign Trade Association, Brussels, European Union
FWF	Fair Wear Foundation, Amsterdam
ILO	International Labour Organisation
PPE	Personal Protection Equipment
SGS	Verifying and Testing Institute in Switzerland
WEP	Workplace Education Program of Fair Wear Foundation
SAI	Social Accountability International Standard SA8000

8. Company Social Responsibility

ALBIRO FOUNDATION Report 2016:

1. Textile Help from Emmental to Romania

60 carton boxes were shipped to Rumania and have been supplied directly to children and adults in need. (right side photo Member of ALBIRO and the Organizer)



2. A New Live for 4 Years old Amal

ALBIRO FOUNDATION supported Terre des Hommes (TdH) in sugery of 4 year old girl Amal of Morocco. The heart surgery she needed couldn't be done in Morocca, so TdH and ALBIRO arranged the stay in Switzerland and the surgery. As all went well, Amal is back with her family already and gets help frm TdH for further development and health care. (2 fotos below)



left side: Amal in Hospital
above: back home with the family in Morocco

3. Macedonia: New Car for Handicapped Pupils in Delcevo:

ALBIRO bought a new car for the school for handicapped children in Delcevo.

To provide a safe transport to school and back home.

This car is an important tool to keep a basic living standard in that mostly very poor region.

