



# SOURCING REPORT

2017 / 2018

TAKKO.COM

**TAKKO**  
FASHION

# INTRODUCTION



Arnold Mattschull  
CEO



Alexander Mattschull  
CPO



Ulli Eickmann  
CSO



Andreas Silbernagel  
CFO

Dear Readers,

For many years corporate responsibility has been increasing in importance. The passing of Agenda 2030 for Sustainable Development, by the Federal Ministry for Economic Cooperation, is a clear acknowledgment of joint responsibility. It calls for global cooperation to ensure good living conditions for current and future generations. As an internationally operating company, we also want to meet this responsibility.

We are Smart Discounter, hence we are particularly concerned with taking social and ecological responsibility for our company's actions; this is one of the most important pillars of our corporate philosophy.

We place great value on satisfaction, both for our customers and our nearly 18,000 employees around the world. They are the heart and soul of the company, their qualifications and motivation are Takko Fashion's success factors and we are especially proud of them.

Openness plays an important role in our company, in how we treat both our employees and our partners, suppliers and customers. Therefore we are working constantly to make all processes along our product supply chain as transparent as possible, assessing and optimising them.

Our efforts focus on the working and safety conditions in our business partners' factories. We have been committed to improving standards in these factories for many years. That is why we introduced our own Code of Conduct for suppliers and producers in 2007 and also established our own audit teams who check the standards and improvements on site. In 2011, we joined the Fair Wear Foundation, a multi-stakeholder initiative which we found to be an independent and reliable partner for this important task. We also joined the Accord on Fire and Building Safety in Bangladesh in 2014, and the Partnership for Sustainable Textiles in 2015. Furthermore, as well as these associations, we actively work with other associations and other textile companies to improve working conditions in the countries where our goods are produced.

We will maintain our full commitment to the partnerships in future and actively work on further corporate responsibility measures, such as extensive compliance management, the expansion of training in our production facilities, and the building of further cooperative partnerships. We will continue on the course we have set and work with many other companies to consistently pursue our goals. Only then, a mindset of sustainability can become firmly established in the textile industry.

Kind regards,  
The Management Team



# CONTENT

1. SMART? DISCOUNT!

2. PRODUCTION CYCLE

3. QUALITY REQUIREMENT  
AND ASSURANCE

4. SOURCING AND  
CORPORATE  
RESPONSIBILITY  
AT TAKKO FASHION

5. SOURCING STRATEGY  
AND ORGANISATIONAL  
STRUCTURE

6. STANDARDS IN  
SOURCING – OUR  
CODE OF CONDUCT

7. FAIR WEAR  
FOUNDATION

8. ACCORD ON FIRE AND  
BUILDING SAFETY IN  
BANGLADESH

9. PARTNERSHIP FOR  
SUSTAINABLE TEXTILES

# 1. SMART? DISCOUNT!

We are Smart Discounter offering casual fashion for the whole family with a sensational cost-benefit ratio.

Since we opened our first Takko Fashion store in 1982, we have grown into one of the most successful fashion discounters in Europe with nearly 1,900 stores in 17 European countries. We offer families a mixture of trendy styles and classic basics, always with a variety of new accents. We provide fashion to our fashionable and price-conscious customers through our stores in Germany, Austria, Switzerland, the Netherlands, the Czech Republic, Slovakia, Hungary, Romania, Poland, Belgium, Slovenia, Estonia, Lithuania, Croatia, Italy, Serbia and France. Our customers in Germany can also purchase goods from our online shop.

We particularly value customer orientation, and are available for our customers anytime and anywhere: in our stores, in our online shop and on social media. We interlink our channels with our omni-channel strategy, thereby offering our customers an unlimited shopping experience. That is important to us because, as a Smart Discounter, we want our customers to be able to decide for themselves how, where and when they buy their fashion.

We attach great importance to having a balanced range of products. From sporty t-shirts, sweats, trendy jeans with cool effects, or stylish accessories for the perfect look, Takko Fashion offers clothes in which everyone feels comfortable. To this end, we rely on strong private labels which offer every customer the perfect style. Although each private label is unique, the collections are easy to mix and match together. This way, our customers can always put together new outfits and reinvent their style.

**THAT'S SMART!  
THAT'S TAKKO FASHION!**



## CORPORATE FACTS

**COMPANY: TAKKO GROUP**

**NEARLY 18,000 EMPLOYEES**

**FOUNDED 1982 | 17** COUNTRIES, INCL. ONE TEST IN FRANCE

**NEARLY 1,900 STORES**

 **ONLINESHOP TAKKO.COM (GER)**

 **INSTAGRAM UNDER DEVELOPMENT**

 **524,000 FACEBOOK FANS**

**CHIEF SHAREHOLDER APAX PARTNERS**

**11 PRODUCTION COUNTRIES**

**486 AUDITS**

As of February 2018

# 2. PRODUCTION CYCLE

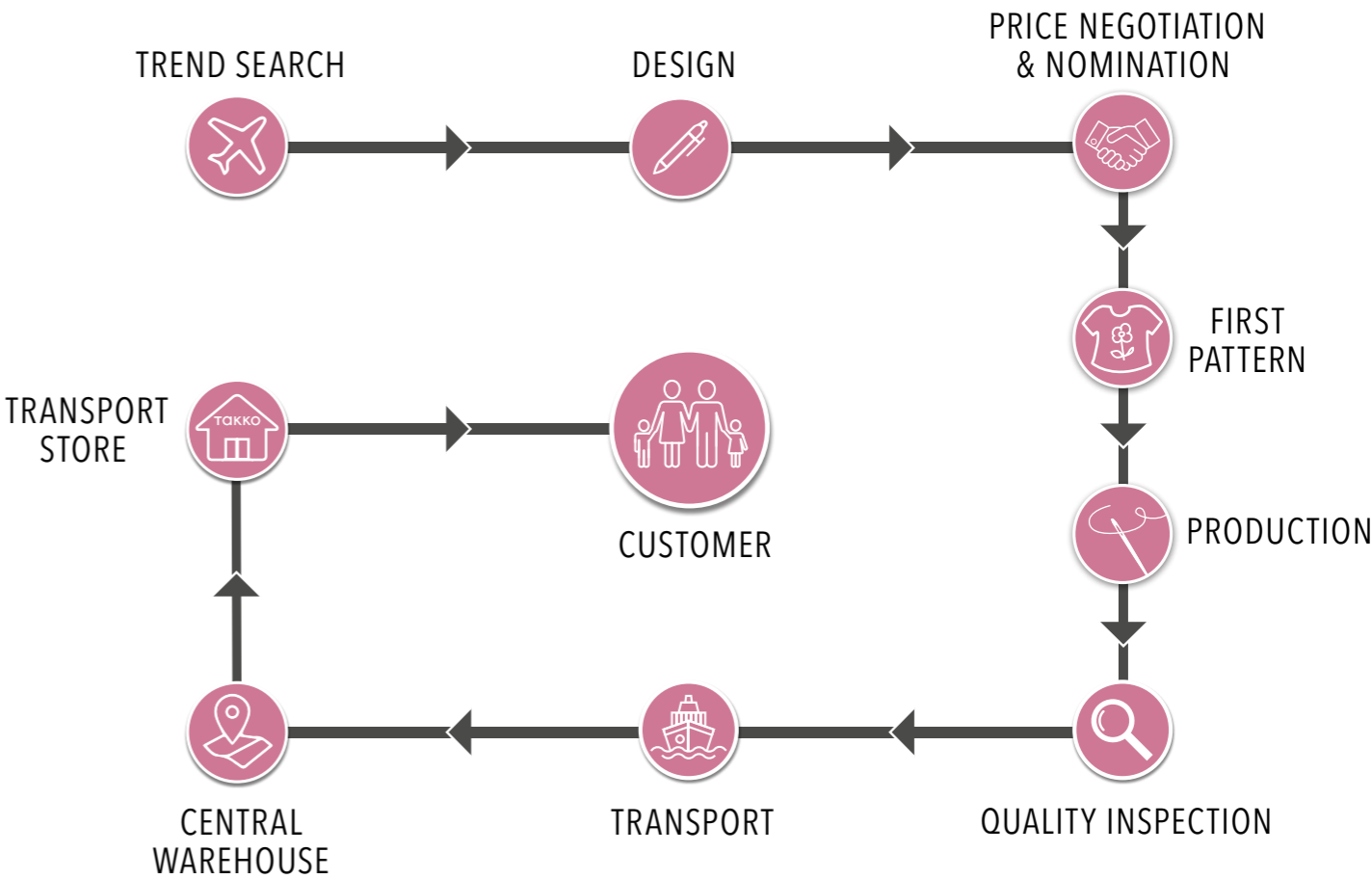
Our stated goal is to offer our customers a mix of trendy highlights, casual basics, practical everyday wear and fashionable accessories for the whole family. For this reason, our in-house designers regularly visit international fashion capitals to seek inspiration and discover the latest trends. These are then adjusted to suit our customers’ desires and needs. Our designers thus create styles that are fashionable, while still suitable for everyday wear and in which our customers can feel completely comfortable.

Our products are designed in our Product Management Department at our headquarter in Telgte. The final drafts are then forwarded to our colleagues in the Purchasing Department in Friedrichsdorf, Hesse, from where all of our Takko Fashion styles are sourced. The employees there ensure that our fashion is produced to a high quality and with an optimal cost-benefit ratio, by placing the orders globally. Our international offices coordinate the manufacture of our products in the respective countries.

We only purchase ready-made goods. This means that we do not purchase either raw materials or single components for our products ourselves, but instead source those through our production sites or suppliers. The respective purchase prices are then determined by the so-called „cost-sheet process“.

Because the production time is not directly related to the lead time, especially with long-term orders, many of our orders are placed during the so-called „low season“. The standard lead time for our orders usually depends on style and product, and takes seven to nine months.

Before production of orders is approved by our Purchasing Department, we obtain samples from the suppliers, which our Quality Control Department use to conduct tests of factors such as quality, fit and design. Once the products have passed the test and been approved for production, the items are produced. From there they are then transported through the port of Hamburg in container ships to our central warehouse in Winsen and from there they travel to our distribution centres in Telgte, Winsen and Schnelldorf (Germany) and Senec (Slovakia). The goods are then distributed to our nearly 1,900 stores in Germany and abroad.





### 3. QUALITY REQUIREMENTS AND ASSURANCE

We can sell our clothing with a clear conscience because we offer our customers convincing quality at affordable prices. Since the quality of our products is very important to us, we have set our own quality standards, which are higher than those required by law.

Therefore, all the processes that are crucial to our products' quality, are handled by our own employees. Our optimised production and testing processes allow us to develop, acquire and deliver large quantities of high-quality products quickly and efficiently.

We ensure consistently high quality through having uniform standards among our processes, products and components. A significant role is played by close cooperation between the individual departments. The Quality Assurance works very closely with the Design, Product Management and Procurement Departments during the entire production process.

The designers and purchasers consider our quality requirements right from the first steps in the new collections. They develop innovative solutions which comply with our strict guidelines and regulations, while also fulfilling the trend aspect. Quality Assurance assesses adherence to our products' quality standards in the production countries. This is additionally evaluated in our internal Quality Control Department in Germany. The Quality Control Department checks the condition, workmanship and fit. Physical material characteristics, such as colourfastness, seam durability, shrinkage, and adherence to contaminant restrictions stipulated by the law or consumer organisations, are also tested.

Through the close cooperation of all departments involved in product development, we are able to increase our product quality and development speed as well as utilising synergies in development and acquisition.

## QUALITY

It is important to us that our customers are able to determine which products meet which standards, quickly. That is why we are introducing our own quality label in the 2018/2019 business year:

### MY FAVOURITE PIECE BY TAKKO FASHION

The label stands for five promises that are fulfilled by the product:

- ♥ ..... conscientiously selected materials
- ..... toxin-tested materials
- ..... comfortable fit
- ..... monitored social standards
- ..... OEKO-TEX® Standard 100-certified or GOTS-certified

Every product which meets these quality criteria will receive our „My Favourite Piece by Takko Fashion“ quality label. In this way, our customers can immediately see which products meet our highest quality standards.

### OEKO-TEX® STANDARD 100

The Oeko-Tex® Standard 100 was introduced in 1992, and is a globally consistent, independent testing and certification system for raw materials, interim products and finished products in the textile industry at all stages of processing, as well as the accessories materials used. In order to be certified, all the components of the products tested, must pass all the Oeko-Tex® Standard 100 tests.

### GOTS (GLOBAL ORGANIC TEXTILE STANDARD)

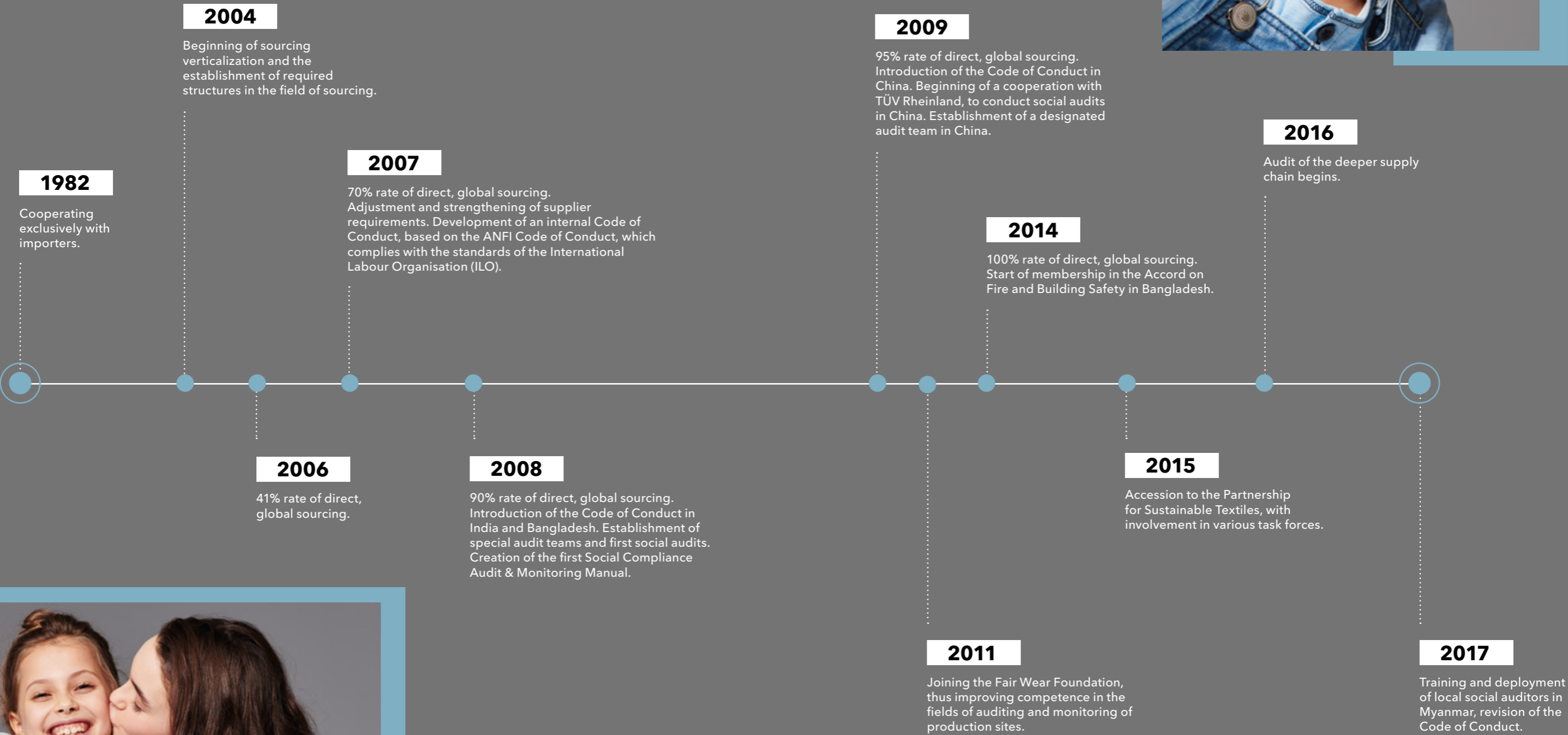
GOTS is the world's leading standard for ecologically and socially responsible textile production. Certified products must consist of at least 70% organically sourced, natural fibres and are subject to strict environmental requirements, ranging from the procurement of organically cultivated, natural materials to environmentally and socially responsible production.



MY FAVOURITE PIECE  
BY TAKKO FASHION



# 4. SOURCING AND CORPORATE RESPONSIBILITY



# ACHIEVED OBJECTIVES

## IN THE BUSINESS YEAR 2017/18

Takko Fashion has already achieved some of its objectives in the 2017/2018 business year, while paving the way for the implementation of further improvements during the coming business year.

The original version of the Code of Conduct, which was introduced in 2007, was based on that of the Association of Non-Food Importers (ANFI). We altered our Code of Conduct when we joined the Fair Wear Foundation in 2011. The Code of Conduct was revised again in the 2017/2018 business year, to ensure that the producers and business partners understand Takko Fashion's exact requirements, for only then they are able to fulfil our standards. Along with the Code of Conduct, Takko Fashion also introduced a CSR Commitment Letter in 2017. Together with the Code of Conduct, this declares the business partners' and producers' obligations for cooperation with Takko Fashion in greater detail. Before beginning a cooperation, potential business partners and producers must sign the commitment letter and confirm that they meet our requirements. As Takko Fashion is a member of the Fair Wear Foundation and the Partnership for Sustainable Textiles and a signatory to the Transitional Accord on Fire and Building Safety in Bangladesh, there are also additional obligations for partners.

In June 2017, our social auditors from Bangladesh, China, India and Myanmar, as well as a member of the Procurement Compliance team in Germany, attended a week-long social auditor training seminar in Xiamen, China, held by Sumations GmbH. The overall topic was the conduct of social audits and the characteristics, difficulties and challenges which have to be overcome. Another major focus was the exchange of knowledge between the auditors. In the practical part of the training, the group audited a factory in the Xiamen region.

Furthermore, in the 2017/2018 business year, Takko Fashion successfully assessed the systematic, order-based logging of sub-contractors in our internal PLM (Product-Lifecycle-Management) and laid the technical groundwork for its implementation. In the future, Takko Fashion will not only be able to determine the production site where the order was produced, but also the subcontractor involved.

Another important step was reducing the number of production sites from 325 (business year 2016/2017), to 298 (business year 2017/2018).

# OBJECTIVES

## BUSINESS YEAR 2018/19

Takko Fashion has also set ambitious goals, in order to continue improving factory working conditions during the coming business year.

A Standard Operation Procedure for Procurement Compliance will be created in the 2018/2019 business year, in accordance with the 2017 revised Code of Conduct and the CSR Commitment Letter. This document explains Takko Fashion's expectations of its suppliers. Among other things, it details the process for listing a new production site together with the rights and obligations arising from Takko Fashion's memberships in social compliance and workplace safety organisations. These include the processes for social audits, the complaint system, and the training sessions in respect of the Fair Wear Foundation and the inspections, training sessions and escalation processes of the Accord on Fire and Building Safety in Bangladesh.

After the successful programming and testing of the systematic order logging, Takko Fashion will add the subcontractors to the PLM during the new business year, thus creating greater transparency within our supply chain.





# 5. SOURCING STRATEGY AND ORGANISATIONAL STRUCTURE

We want our goods to be produced exclusively in inspected and safe factories and the workers in those factories to be treated fairly. Our sourcing process is based on a clearly defined organisational structure.

One hundred per cent transparency among all the production sites from which we order, is particularly important to us. The exclusiveness of every factory being used by only one supplier per production type, is another factor that we value highly. We set high standards in our sourcing process, both for ourselves and for our business partners. The following points are top priorities: We want to continue the constant growth of good partnerships with our suppliers and to keep improving employees' and producers' working conditions. Internally, we nurture the necessary skills to optimally promote the sustainability processes. For this reason, a department was established at our Friedrichsdorf Head office that is solely responsible for this area: Procurement Compliance. Its main objective consists of monitoring adherence to the Code of Conduct, continuous improvement of the social working conditions, and the creation of a safe working environment for employees at the production sites. The team is supported by local Audit teams working at our overseas offices in China, Bangladesh, India and Myanmar.

## AUDITING PROCESS

In order to achieve the goals we have set for ourselves, such as adherence to the Code of Conduct, continuous improvement of social working conditions, and the creation of a safe working environment, audits are regularly conducted at the production sites used by Takko Fashion. Social auditors conduct audits, both planned and unannounced, at the production sites at regular intervals. In addition to our local auditors, we also cooperate with the renowned auditing firm, Sumations, and the TÜV Rheinland, in order to cover all production countries. Takko Fashion's Code of Conduct and the legal workplace safety regulations form the basis for the audits.

The audits at the production sites allow us to document the status quo regarding the social conditions. Furthermore, our local audit teams and the external auditing offices' employees work with factory management

following the audits, to develop action plans and corresponding timelines, for improving social standards. In this way, we ensure that the factory management understands our concerns and optimises them specifically.

All social audit reports and the corresponding action plans, are filed in our PLM system. This enables our Procurement Compliance team to evaluate the factories' social audits and organise training and educational seminars for the production sites' workers, should any issues be discovered.

A total of 486 audits were conducted during the 2017/2018 business year. This was an increase of 30 percent in comparison with the previous year. The percentage auditing rate, based on FOB (free carrier on board), is 94 percent.

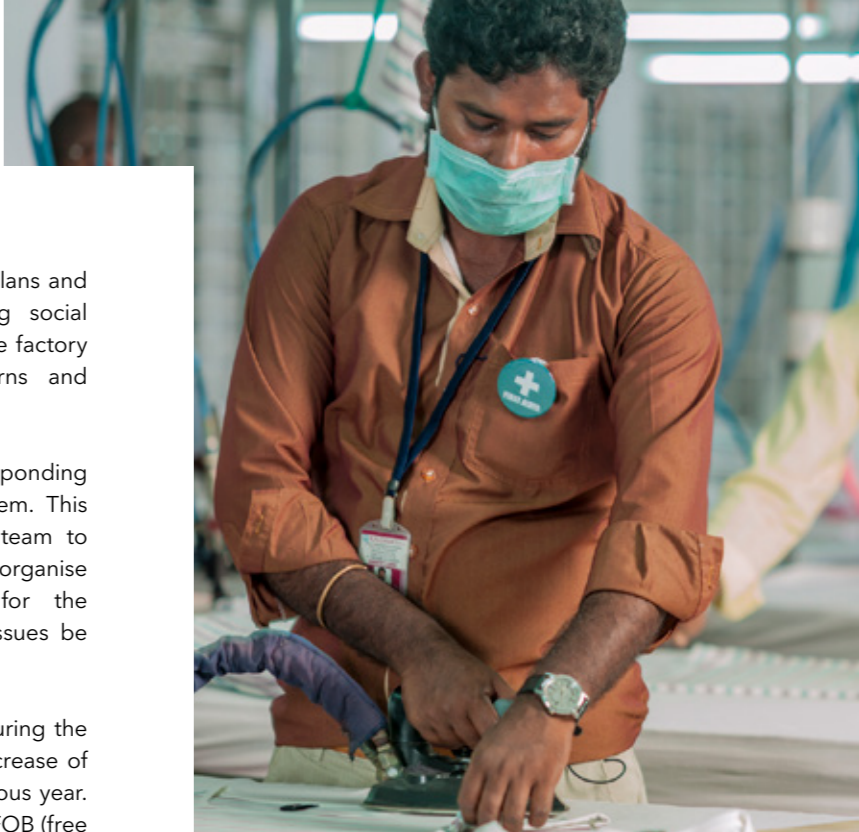
COUNTRIES	TOTAL
Bangladesh	393
India	27
China	42
Pakistan	9
Turkey	4
Sri Lanka	1
Myanmar	10
TOTAL	486

\*This includes pre-audits, follow-ups and surprise audits of previously visited factories.

Before we enter business relationships with new production sites and suppliers, they undergo thorough checks. If no current social audit report and action plan is already available, a pre-audit is conducted by our overseas offices or external auditors.

Cooperation is only possible if the results are satisfactory and it is apparent that the factory also values the improvement of social conditions. The Procurement Compliance team then approves the factory. The purchasers cannot place any order with a production site which has been rejected.

The potential business partners are informed of our membership in the Fair Wear Foundation and prompted to sign our Code of Conduct. We also inform prospective business partners in Bangladesh of our membership in the Accord on



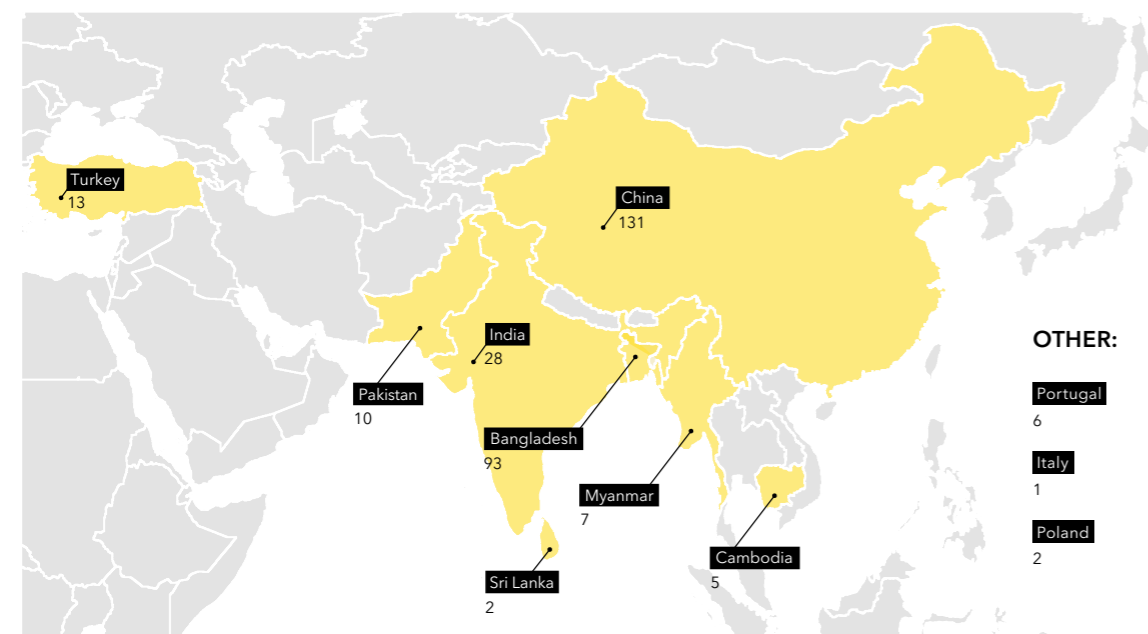
Fire and Building Safety in Bangladesh, together with their obligations in respect to inspections through the Accord. We rule out any cooperation unless every single step is accepted.

If issues are discovered during an audit of business partners who have already been confirmed, the production sites are ordered to correct these issues. The suppliers are required to follow up and monitor this. If the factory shows no commitment to remedying the issues over a long period of time and after multiple discussions, the order volume will be constantly reduced until the business relationship is eventually terminated. Takko Fashion only makes the decision to end a business relationship as the very last resort. As a company, we value long-term partnerships greatly and are very interested in the production sites' constant development. We want to sensitise our partners to this important topic. Only together we can continue to gradually improve the standards in the production countries.



## NUMBER OF PRODUCTION SITES

Our goods are currently produced in a total of 298 sewing factories in mostly Asian countries. In order to ensure good, continuous and efficient cooperation with our suppliers and production sites, we have established local offices in our main procurement countries, China, Bangladesh, India and Myanmar. More than 20 employees there work actively on Procurement Compliance matters.



**Total: 298\*\***

Date: 31 January 2018

\* Belt, wallet and jewellery suppliers are not included. Purchases such as Carnival products or in-stock goods are also excluded.

\*\* This number includes all factories where production occurred.



## TOGETHER FOR ONE GOAL

## 6. STANDARDS IN SOURCING – OUR CODE OF CONDUCT

Introduced in 2008, our Code of Conduct forms the centrepiece of our Procurement Compliance work. Takko Fashion's Code of Conduct is based on the International Labour Organisation standards (ILO standards). It regulates the fair treatment of workers in our production facilities and sets out standards for good working conditions. In 2017, we reworded our Code of Conduct more comprehensively, to prevent any misunderstandings among our suppliers. Our Code of Conduct obligates us to the following principles:

Takko Fashion takes the subject of working conditions and social responsibility very seriously at home and abroad. Therefore Takko Fashion joined the Fair Wear Foundation, the Accord on Fire and Building Safety in Bangladesh and is signatory of the partnership for sustainable textiles.

Takko Fashion is committed to:

- a standard of excellence in every aspect of our business and in every part of the world,
- ethical and responsible management in all our operations,
- respect for the rights of all individuals,
- respect for the environment and
- compliance with building and fire safety.

Consistent with our brand values we expect the same commitments to be shared by all suppliers and producers of Takko Fashion products ("business partners") and that they conduct themselves with the utmost fairness, honesty and responsibility in all aspects of their business.

### 1. FAIR LABOUR CONDITIONS

#### 1.1 Employment is freely chosen

Business partners shall not engage in any form of servitude, forced, bonded, indentured, trafficking or non-voluntary labour.



Business partners will risk allegations of complicity if they benefit from the use of such forms of labour by their business partners.

Business partners shall act with special diligence when engaging and recruiting migrant workers both directly and indirectly.

Business partners shall allow their workers the right to leave work and freely terminate their employment provided that workers give reasonable notice to the employer.

Business partners shall ensure that workers are not subject to inhumane or degrading treatment, corporal punishment, mental or physical coercion and/or verbal abuse.

All disciplinary procedures must be established in writing and are to be explained verbally to workers in clear and understandable terms.

#### 1.2 No discrimination

Recruitment, wage policy, admittance to training programs, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities.

Business partners shall not discriminate, exclude or have a certain preference for persons on the basis of gender, age, religion, race, caste, birth, social background, disability, ethnic and national origin, nationality, membership in unions or any other legitimated organization, political affiliation or opinion, sexual orientation, family responsibilities, marital status, diseases or any other condition that could give rise to discrimination.

In particular, workers shall not be harassed or disciplined on any of the grounds listed above.

#### 1.3 No exploitation of child labour

There shall be no use of child labour both directly or indirectly (e.g. by use of subcontractors or daily workers). The age of admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years. There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour.

Business partners must establish suitable age-verification mechanisms as part of the recruitment process, which may not be in any way degrading or disrespectful to the worker.

Special care is to be taken on the occasion of the dismissal of children, as they can move into more hazardous employment, such as prostitution or drug trafficking. In removing children from the workplace, business

partners should identify in a proactive manner measures to ensure the protection of affected children. When appropriate, they shall pursue the possibility to provide decent work for adult household members of the affected children's family.

#### SPECIAL PROTECTION OF YOUNG WORKERS:

Young workers between the age of 15 and 18 shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals.

Business partners should ensure that their working hours do not impede their attendance at school, their participation in vocational orientation approved by the competent authority or their capacity to benefit from training or instruction programs.

Business partners shall set the necessary mechanisms to prevent, identify and mitigate harm to young workers; with special attention to the access, young workers shall have to effective grievance mechanisms.

#### 1.4 Freedom of association and the right to collective bargaining

Business partners will respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner. The workers have the right to negotiate as a group with their employer.

Business partners must not punish workers who express their opinions and wishes.

When the right to freedom and association and collective bargaining is restricted under law, business partners must not hinder other forms of collective bargaining and workers' organizations. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their role.

#### 1.5 Payment of a living wage

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and shall always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.

Wages are to be paid in a timely manner, regularly, and fully in legal tender. The level of wages is to reflect the skills and education of workers and shall refer to regular working hours.

Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

#### 1.6 No excessive working hours

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with resting breaks in every working day and at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

#### 1.7 Health and safety

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazard.

Business partners shall take all appropriate measures within their sphere of influence to ensure the stability and safety of the equipment and buildings they use, including residential facilities to workers when these are provided by the employer as well as to protect against any foreseeable emergency. Business partners shall respect the worker's right to exit the premises from imminent danger without seeking permission.

Business partners shall ensure adequate occupational medical assistance and related facilities.

Business partners shall ensure access to drinking water and sanitary facilities, fire safety and personal protective equipment and adequate lighting & ventilation free of charge.

Business partners will treat each employee with dignity and respect. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

Vulnerable individuals such as – but not limited to – young workers, new and expecting mothers and persons with disabilities shall receive special protection.

Business partners will also ensure that the same standards of health and safety are applied in any housing that they provide for employees.

**1.8 Legally-binding employment relationship/No precarious employment**

Business partners shall ensure that their employment relationships do not cause insecurity and social or economic vulnerability for their workers. Work is performed on the basis of a recognized and documented employment relationship, established in compliance with national legislation.

Before entering into employment, business partners are to provide workers with understandable information about their rights, responsibilities and employment conditions, including working hours, remuneration and terms of payment.

Business partners shall not use employment arrangements in a way that deliberately does not correspond to the genuine purpose of the law. This includes – but is not limited to – either apprenticeship schemes where there is no intent to impart skills or provide regular employment or seasonality or contingency work when used to undermine workers’ protection or labour-only contracting.

Younger workers shall be given the opportunity to participate in education and training programs.

Furthermore the use of sub-contracting may not serve to undermine the rights of workers.

**2. ROTECTION OF THE ENVIRONMENT**

Business Partners will comply with all applicable environmental laws and regulations.

Business partners should assess significant environmental impact of operations, and establish effective policies and procedures that reflect their environmental responsibility. They will ensure the implementation of adequate measures to prevent or minimize adverse effects on the community, natural resources and the overall environment.

**3. OTHER LAWS**

Business partners will comply with all applicable laws and regulations, including those pertaining to the manufacture, pricing, sale and distribution of merchandise. All references to „applicable laws and regulations” in this Code of Conduct include local and national codes, rules and regulations as well as applicable contracts and voluntary industry standards.

**4. SUBCONTRACTORS**

Business partners must not engage subcontractors for the manufacture of Takko Fashion merchandise or components thereof if the subcontractors have not signed this Code of Conduct and have been approved by Takko Fashion for production.

**5. MONITORING AND COMPLIANCE**

Business partners will authorize Takko Fashion and its designated agents (including third parties) to engage in monitoring activities to confirm compliance with this Code of Conduct, including unannounced on-site inspections of manufacturing facilities and employer provided accommodation, reviews of books and records relating to employment matters, and private interviews with employees. Business partners will retain all documentation that may be needed to demonstrate compliance with this Code of Conduct on site.

**6. FAIR WAIR FOUNDATION AND ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH**

Before starting a business relationship with Takko Fashion, business partners have to guarantee to comply with Fair Wear Foundation and the Accord on Fire and Building Safety in Bangladesh standards.

**7. PUBLICATION**

Business partners will take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to employees, including the prominent posting of a copy of Fair Wear’s Code of Labour Practices as well as the Worker information Sheet in the local language and in a place readily accessible to employees at all times.





## 7. FAIR WEAR FOUNDATION



The Fair Wear Foundation (FWF) is a non-profit organisation which works to improve workplace conditions in the garment, textile and shoe industry. The organisation was founded in 1999. Its board includes Dutch trade unions and NGOs, for example, the Clean Clothes Campaign. The organisation is active in eleven production countries in Asia, Africa and Europe. By sharing expertise, building networks and establishing a social dialogue within the industry, the FWF helps its member companies to develop efficient and sustainable systems. The FWF has over 80 members representing more than 120 brands. Takko Fashion has been a member of the FWF since 2011.

### Social Audits

One central component of our membership in the Fair Wear Foundation is the continual improvement of working conditions in the factories which produce our goods.

Social audits are conducted for this purpose and used to determine improvement measures. These measures are discussed in meetings with suppliers and monitored. The FWF also assesses our efforts regularly through verification audits and the annual brand performance check.

### Complaint Management

In order to make it possible for employees to contact the Fair Wear Foundation directly and easily, hotline numbers with references to the social standards in the respective national language are posted in the factories. Not only employees but also third parties, such as NGOs, can report complaints through this system.

The complaints filed are addressed promptly. This is done in close cooperation between the Takko audit team on site and the Fair Wear Foundation's employees. Transparent communication between all the parties involved is paramount.

### Training and Education

The workplace education programmes include training for management and employees, as well as supervisor training. The goal is to train both groups in internal communication to simplify the resolution of internal conflicts and to improve individual working conditions. The Fair Wear Foundation offers both general workplace education programmes and country-specific training sessions.



### Information and Communication

One of our central concerns is regularly informing our almost 18,000 employees about our sustainability management. After all, they are the Takko Fashion brand's most important ambassadors and a direct line of communication to our customers. In order to keep them consistently up to date on CSR measures and our objectives, background information and our sourcing report is provided on our homepage. New employees who will have direct contact with suppliers and factories, are specifically trained in this topic during the integration phase.

External communication with our business partners is also very important to us. Information pertaining to social standards is a fixed component of contractual negotiations when building and expanding new business relationships.

### Original Copies of Complaint Cases

The Fair Wear Foundation published five complaints during the 2017/2018 business year from employees in factories from which we have placed orders. The original versions of the cases and their progress and resolution are presented below.

# COMPLAINT 1 – TAKKO FASHION – BANGLADESH

**STATUS: NEW COMPLAINT**

FWF is responsible for setting up a complaints procedure in production countries where FWF is active. The complaints procedure allows third parties to make complaints about the working conditions or the way the Code of Labour Practices is implemented in factories which supply FWF members.

The responsibility of FWF includes investigating the complaint, verifying whether the agreed corrective action plan is implemented and public reporting. This complaint report gives an overview of a complaint filed to FWF, the investigation and agreed corrective action plan as well as how the outcome is verified. For more information on the complaints procedure see the FWF website. FWF also publishes an overview of complaints received in its annual reports.

**1. MEMBER COMPANY INVOLVED**

Takko Fashion

**2. ACCUSED PARTY**

A factory located in Bangladesh supplying Takko Fashion

**3. DATE OF RECEIVING COMPLAINT**

18 April 2017

**4. FILING PARTY**

The case was first reported by some anonymous workers in February 2017. It was followed up by National Garment Workers Federation (NGWF), a member of IndustriAll in April.

**5. THE COMPLAINT**

Anonymous workers have called FWF helpline in February 2017 that some workers from this factory were fired without compensation, probably linked to their efforts to organise workers in Ashulia in December 2016. They also said that some workers were arrested. Since the complainants did not keep contact with FWF, it was not possible to follow up in February.

NGWF in April contacted FWF and provided a list of factories where they have received complaints on unfair dismissal. FWF found out that two factories in the list were active suppliers of Takko Fashion.

NGWF is considered the complainant in this case. NGWF claimed that some workers in the factory were fired without compensation. NGWF believed that the dismissal was linked to the workers’ effort to organise in Ashulia in December 2016.

The authenticity of the accusation is under investigation.

**6. ADMISSIBILITY**

FWF decided that the case is admissible on 18 April 2017. The factory is an active supplier of Takko Fashion, a member of FWF. The case is relevant to the following labour standards of FWF’s Code of Labour Practices: Freedom of association and the right to collective bargaining.

**7. INVESTIGATION**

FWF had requested Takko Fashion in March 2017 to gather information from the factory. Takko contacted the factory and replied to FWF immediately. The factory claimed that no worker from the factory has participated in the strike outside in December. The workers reported to work on 18 and 19 December but refrained working on both days. The factory was later closed mandatory by the government together with another 58 factories. The factory reopened on 25 December 2016 and all workers went back to work. According to the management, the workers were not punished.

FWF is in the process of verifying the above statement from factory management.

**8. FINDINGS AND CONCLUSIONS**

The case is under investigation.

**9. REMEDIATION**

The case is under investigation.

**10. VERIFICATION**

The case is under investigation.

**11. EVALUATION BY THE COMPLAINANT**

The case is under investigation.

# COMPLAINT 2 – TAKKO FASHION – BANGLADESH

**STATUS: NEW COMPLAINT**

FWF is responsible for setting up a complaints procedure in production countries where FWF is active. The complaints procedure allows third parties to make complaints about the working conditions or the way the Code of Labour Practices is implemented in factories which supply FWF members.

The responsibility of FWF includes investigating the complaint, verifying whether the agreed corrective action plan is implemented and public reporting. This complaint report gives an overview of a complaint filed to FWF, the investigation and agreed corrective action plan as well as how the outcome is verified. For more information on the complaints procedure see the FWF website. FWF also publishes an overview of complaints received in its annual reports.

**1. MEMBER COMPANY INVOLVED**

Takko Fashion

**2. ACCUSED PARTY**

A factory located in Bangladesh supplying Takko Fashion

**3. DATE OF RECEIVING COMPLAINT**

18 April 2017

**4. FILING PARTY**

The case was first reported by some anonymous workers in February 2017. It was followed up by National Garment Workers Federation (NGWF), a member of IndustriAll in April.

**5. THE COMPLAINT**

Anonymous workers have called FWF helpline in February 2017 that some workers from this factory were fired without compensation, probably linked to their efforts to organise workers in Ashulia in December 2016. They also said that some workers were arrested. Since the complainants did not keep contact with FWF, it was not possible to follow up in February.

NGWF in April contacted FWF and provided a list of factories where they have received complaints on unfair dismissal. FWF found out that two factories in the list were active suppliers of Takko Fashion.

NGWF is considered the complainant in this case. NGWF claimed that some workers in the factory were fired without compensation. NGWF believed that the dismissal was linked to the workers’ effort to organise in Ashulia in December 2016.

The authenticity of the accusation is under investigation.

**6. ADMISSIBILITY**

FWF decided that the case is admissible on 18 April 2017. The factory is an active supplier of Takko

Fashion, a member of FWF. The case is relevant to the following labour standards of FWF’s Code of Labour Practices:

- Freedom of association and the right to collective bargaining

**7. INVESTIGATION**

FWF had requested Takko Fashion in March 2017 to gather information from the factory. Takko contacted the factory and replied to FWF immediately. The factory confirmed that 141 workers went on strike during December 2016. On 22 December the factory issued a show cause and suspension letter to 141 workers, as the factory believed that the workers’ action was against the labour law 2006 23(4). The factory issued the second letter to the workers on 2 January 2017. The workers then filed a complaint to BGMEA. A negotiation meeting was organised on 10 January at BGEMA office attended by the representatives of these 141 workers, factory management, BGMEA representatives and representatives from Bangladesh Garment Workers Association. After the meeting, settlement has been made. All workers but three had collected their dues. The factory informed Takko fashion that three workers did not show up at the factory to get their settlements.

FWF is in the process of verifying the above statement from factory management.

**8. FINDINGS AND CONCLUSIONS**

The case is under investigation.

**9. REMEDIATION**

The case is under investigation.

**10. VERIFICATION**

The case is under investigation.

**11. EVALUATION BY THE COMPLAINANT**

The case is under investigation.

# COMPLAINT 3 – TAKKO FASHION – MYANMAR

**STATUS: RESOLVED**

FWF is responsible for setting up a complaints procedure in production countries where FWF is active. The complaints procedure allows third parties to make complaints about the working conditions or the way the Code of Labour Practices is implemented in factories which supply FWF members.

The responsibility of FWF includes investigating the complaint, verifying whether the agreed corrective action plan is implemented and public reporting. This complaint report gives an overview of a complaint filed to FWF, the investigation and agreed corrective action plan as well as how the outcome is verified. For more information on the complaints procedure see the FWF website. FWF also publishes an overview of complaints received in its annual reports.

**1. MEMBER COMPANY INVOLVED**

Takko Fashion

**2. ACCUSED PARTY**

An active supplier of Takko Fashion in Myanmar.

**3. DATE OF RECEIVING COMPLAINT**

29 May 2017

**4. FILING PARTY**

A worker that is currently employed by the factory.

**5. THE COMPLAINT**

The complainant claimed that his section (Ironing) department was asked to do overtime on that day until 8:30pm, and OT was not voluntary.

**6. ADMISSIBILITY**

FWF decided that the case is admissible on 29 May 2017. The factory is an active supplier of Takko, a member of FWF. The case is relevant to the following labour standards of FWF’s Code of Labour Practices:

- Reasonable Hours of Work
- Employment is freely chosen

**7. INVESTIGATION**

FWF informed the case to the factory management shortly after the call to get their response.

FWF also asked the complainant if he told his supervisor and he said that the supervisor asked them to do OT. Since the supplier has a WCC, FWF also checked with the plaintiff if he raised it to WCC members from workers’ side. However, he said that he did not trust the WCC members because they all are supervisors..

**8. FINDINGS AND CONCLUSIONS**

It was found out that there was an OT assignment for the ironing section. FWF concluded that the worker should not feel forced to work for overtime by his supervisor.

**9. REMEDIATION**

FWF suggested to the factory management to inform his supervisor from the ironing section to let the workers know that it is not obligatory to do overtime.

**10. VERIFICATION**

FWF called the plaintiff on the same day and checked if his supervisor came and told the workers to leave if they wanted to. The worker confirmed that the supervisor came twice and said to each of them that overtime was voluntary and that they could go home if they wanted to.

**11. EVALUATION BY THE COMPLAINANT**

The complainant indicated his satisfaction that the factory management conveyed that overtime is voluntary and workers are free to leave if they did not want to conduct overtime.

Nonetheless, the worker decided to continue to perform the OT because everyone else from his section agreed to continue working, and if he refused, it would be immediately found out that he was the complainant. He wanted to stay anonymous. He said that he would inform FWF if there would be the similar case in the future.

# COMPLAINT 4 – TAKKO HOLDING GMBH – BANGLADESH

**STATUS: NEW COMPLAINT INVESTIGATION**

FWF is responsible for setting up a complaints procedure in production countries where FWF is active. The complaints procedure allows third parties to make complaints about the working conditions or the way the Code of Labour Practices is implemented in factories which supply FWF members.

The responsibility of FWF includes investigating the complaint, verifying whether the agreed corrective action plan is implemented and public reporting. This complaint report gives an overview of a complaint filed to FWF, the investigation and agreed corrective action plan as well as how the outcome is verified. For more information on the complaints procedure see the FWF website. FWF also publishes an overview of complaints received in its annual reports.

**1. AFFILIATE INVOLVED**

Takko Holding GmbH

**2. ACCUSED PARTY**

A factory located in Bangladesh supplying Takko Holding GmbH

**3. DATE OF RECEIVING COMPLAINT**

First complain received on 19 September 2017  
Report follow-up on 22 September 2017

**4. FILING PARTY**

Workers currently employed by a factory that produces for FWF member company Takko.

**5. THE COMPLAINT**

On 19 September 2017, a worker called on FWF helpline number and complained that 23 of Supervisors and Production Reporter workers from various sections like Jacquard, Linking, Washing, Sewing, Ironing and from Finishing department have been fined BDT 11,500 BDT individually. The reason is that 300 pieces of garments were found missing from the target quantity when packing goods in finishing section before Eid vacation in August 2017.

But when those workers went to collect their salary before Eid vacation, they learned that they have been fined this amount for the missing number of products and this would be deducted proportionately from their salary every month from then on until the total sum was paid. Workers requested to consider for the sake of Eid that month that management paid them at least half of the salary like other workers before Eid. But afterwards when they went to collect the rest of their salary, they found management has deducted 3,900 BDT from their salary that month and from next months, additional deductions would be 3,800 BDT until the total fined amount 11,500 BDT was recovered. The workers questioned management that they could give them a notice of such deduction, or could warn them before taking such step against them. Rather they should investigate the matter above all.

**6. ADMISSIBILITY**

FWF decided that the case is admissible on 19.09.2017. The factory is an active supplier of Takko, an affiliate of FWF. The case is relevant to the following labour standards of FWF’s Code of Labour Practices:

- A Legally Binding Employment Relationship.

**7. INVESTIGATION**

Considering the delicate nature of of the reported cases, FWF country representative immediately informed FWF headquarters. FWF informed Takko about the case and Takko, in turn, contacted the supplier and asked for a reply.

**8. FINDINGS AND CONCLUSIONS**

Takko informed FWF that they confirmed the accusation from the sourcing factory through its intermediary supplier.

**9. REMEDIATION**

The factory confirmed to Takko that they would refund the deducted amount to concerned workers within two days. In addition, the factory would issue a statement saying those workers are not responsible for the accusation.

On September 25, 2017, Takko informed FWF that the factory had in fact refunded workers concerned their amount and send them payment document as proof. The managing director of the factory also gave a statement mentioning that those accused workers were not responsible for the missing products.

**10. VERIFICATION**

The complaints handler from FWF checked with the workers after two days as the factory promised to refund their money by this time. Beside FWF was in contact with Takko as follow up the process.

**11. EVALUATION BY THE COMPLAINANT**

The complainants were satisfied as they got back the taken amount from their salary. Besides having a statement from management as clearance of their blame is also a relief for their future work in the factory.

# BANGLADESH – TAKKO HOLDING GMBH, COMPLAINT 263

**STATUS:** Resolved

**COUNTRY:** Bangladesh

**DATE:** 09/19/2017

**COMPLAINT ID:** 263

**MEMBER INVOLVED:** Takko Holding

**FILING PARTY:** Union

**FILED AGAINST:** Factory management

**GROUNDED:** Yes

## CONCERNING LABOUR STANDARDS:



## THE CASE

According to the National Garment Workers Federation (NGWF), workers in the factory were in the process of forming a union. When factory management found out, the owner threatened to have the workers killed by terrorists, and subsequently forced 60 workers, including union leaders, to sign resignation papers. These illegally-terminated workers were not permitted to reenter the factory.

## FINDINGS AND CONCLUSIONS

FWF received notification from the National Garment Workers Federation (NGWF) that 60 workers, including many union members, had allegedly been forced to sign resignation papers. According to the NGWF, these forced resignations were the result of a number of incidents that had created unrest among workers. For example, a worker was reputedly beaten by middle management, and a delay in salary payment occurred right before the Eid-UI-Adha holidays, causing several workers to miss the transportation they had booked to go visit their families. FWF investigated the issue and established that factory management had made



several legal violations. A meeting took place between Takko, the buying agent, and factory management, which resulted in management agreeing to pay the workers their due salary, accrued leave, and compensation. This payment occurred on 30 November, and the brand, agent, FWF, and union representative were all present to ensure correct payment. The workers were satisfied with this result, as was the NGWF representative.

## 09/21/2017 INVESTIGATION

The brand requested a response from the factory management, who claimed that some workers from the knitting section had created anarchy and destroyed factory equipment on the final day before the Eid vacation. The alleged reason for this was a late salary payment. According to management, heavy traffic en route from Dhaka prevented the salary payments from arriving on time, which made some workers impatient. Management decided to take legal administrative action against those workers involved. Management reported that some workers had decided to resign and submitted their resignation. They claimed that they accepted these resignations and made any payments according to law. They also denied having any information about workers' union registration.

## 10/19/2017 INVESTIGATION

The FWF complaints handler made several calls to affected workers, and on 8 October, FWF representatives interviewed victims and general

workers outside the factory. Based on this, FWF established the following timeline of events: In the month following Eid-UI-Fitr, the supervisor and head of knitting, both brothers of the general manager, reportedly beat a worker because of a machine issue in the knitting section. Afterwards, factory workers protested and requested disciplinary measures for these men. The general manager assured them that the accused would be terminated. Nevertheless, the supervisor and head of knitting continued to come to the factory and signed the workers' registry. When workers asked about this, management claimed the pair was only working outside of the factory.

Workers also indicated that on 31 August 2017, one day before Eid-UI-Adha vacation, management allowed workers to leave at 10:00, indicating that they were to return to collect their salaries at 17:00. But when they returned, they were prevented from entering the factory and told to return two hours later. Again, management turned them away and told them to return later. This happened a third time, by which point the workers were reportedly quite restless and angry. Also, some workers had already missed the transportation they had arranged to go see their families. Some workers started yelling at the management, but they denied damaging any factory equipment.

At midnight, management asked some workers to collect their payment from the general manager's office. The general manager told workers that they would only be paid after signing resignation papers. Feeling helpless and in need of money, 35 workers signed and took the payment.

A worker from the jacquard section who is also a union member indicated that, on the payment day, the general manager asked him whether he/she was a union member and how many others he/she had convinced to join the union. The worker replied that he/she had been with the federation for the past eight years but had not forced anyone to get involved. The general manager allegedly responded by saying, 'Don't try to be smart. Otherwise we will take action against you'. Management then forced this worker to resign.

The next day (1 September), several workers filed a complaint against management for the forced resignations. That same day, the floor manager told these workers that the factory was not satisfied with their performance and that they would need to resign and collect their salary. As a result, five or six more workers signed the resignation papers. On the first day after the Eid vacation, the workers saw the supervisor and

head of knitting standing by the gate, making notes about the workers. A worker indicated that management subsequently asked him/her to resign. But when the worker inquired about the reasoning, management remained silent.

Around 20 to 25 workers who do not belong to any union also had to resign. According to them, they had protested against the delayed payment so management targeted them and made them resign. The terminated workers who had signed up to join the union claimed that management had been targeting them for some time because some of them had also been involved in the protest surrounding the supervisor and head of knitting.

Altogether, management reportedly forced nearly 60 workers to resign.

## 11/01/2017 REMEDIATION

The FWF lead trainer and complaints handler met with factory management, a Takko brand representative and a buying agent to discuss the forced resignations.

FWF demanded to see some of the resigned workers' files and discovered false payment documentation in these files. When FWF tried to verify the signatures on the resignation papers, these appeared to be forged. Interviews conducted by phone indicated that workers had not received any payment. Most of the 60 workers had been working in the factory for three to five years so were not legally entitled to resignation benefits. Despite this, the union representatives requested compensation for the resigned workers, and management agreed to pay these workers their due salary, accrued leave, and to provide a set amount as compensation. FWF insisted that this payment take place in November and in front of a FWF representative.

## 11/30/2017 VERIFICATION

On 30 November, management paid workers their due salary, payment for unused leave and negotiated compensation. The brand, agent, FWF, and union representative were present to ensure this proceeded correctly.

## 11/30/2017 RESOLVED

Follow-up evaluation indicated that both the NGWF representative and the workers were satisfied with the amounts received.

## 8. ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH

The Accord on Fire and Building Safety in Bangladesh is a five-year agreement established in April 2013 following the collapse of the Rana Plaza, a local textile factory. The Accord is a legally binding agreement between the international trade unions IndustriAll and UNI Global, unions in Bangladesh, and international brands and retailers. The International Labour Organization is the independent chair.

In 2013, the Accord was ratified by more than 200 international textile brands, traders and importers from more than 20 states. We also signed the Transitional Accord, because this issue is of paramount importance to us. Regular factory inspections and training for both management and employees, aim to ensure the sustainable improvement of safety within the production sites. A corrective action plan (CAP), including deadlines for each measure, is developed during or directly after the first inspection. This is then presented to the factory owners, the companies who produce there, and the workers' representation.

The progress of the corrective action plan is assessed at each additional follow-up visit by Accord inspectors, and the update forwarded to the addressees named above. All companies who source from the respective factory, are responsible for implementing the CAP measures.

It is also ensured that the corrective measures are financially feasible, so that jobs within the factories can be retained.

Should a factory temporarily, completely or partially close during the course of the corrective measures, the management is obliged to continue paying the employees' wages for a further six months. If the factories do not fulfil this obligation, they will be reprimanded or the business relationship will be terminated.

### WORKER PARTICIPATION TRAINING PROGRAM

As well as inspections, a comprehensive training programme is also an important component of the Accord. The goal is to strengthen the employees and help the factory owners make their production facilities safer on their own initiative. The Accord also helps the factories to establish work safety committees to monitor the improvements.

### SAFETY AND HEALTH COMPLAINTS MECHANISM

The Accord has its own complaints system. It is accessible to all factory employees and can be used to directly report complaints, e.g. about work safety, to the Accord. Workers who submit a complaint are protected against discrimination. The Accord case handlers and engineers examine the complaints and help with their clarification and resolution.

Takko Fashion is responsible for 190 factories and has an active business relationship with 89 production sites. The remediation rate for all Takko production sites was (as of Jan 2018) two points above the Accord remediation rate, and thus above the average of all Accord members at the end of the business year.

All factories, whether they are still active or have become inactive, were inspected by the Accord and we will continue to look after them. This means that we will also bear the responsibility for their remediation until it has been completed and meets our high standards.



## 9. PARTNERSHIP FOR SUSTAINABLE TEXTILES

The Partnership for Sustainable Textiles aims to improve inadequate social and ecological production conditions in the textile industry. Five different actor groups (German Federal Government, business, non-governmental organizations, unions, standards organizations) have convened within the Partnership to work together toward this goal and to enact social, ecological and economical improvements in the textile industry's value-added chains. The German government, represented by the Federal Ministry for Economic Cooperation and Development and other ministries, is also a member of the Partnership.

**The Partnership aims to improve social and ecological conditions in the textile industry through the following four strategic elements:**

- > Cohesive definition of Partnership goals
- > Improvement of overall conditions in the production countries and establishing policy recommendations for Germany and the EU
- > Transparent communication about Partnership progress and sustainable textile production
- > Partnership platform where progress can be documented, the feasibility of measures assessed, and experiences shared

Takko Fashion has been committed to improving working conditions in the production countries for many years. By joining the Partnership, we as a company, are not only intensifying our commitment, but are also pooling resources and utilising synergies. We can share our experience and expertise with fellow members of the various task forces and work together to reach new goals.

We have already created and submitted a roadmap. We are now successively executing it so that we can achieve our defined objectives.

# LEGAL NOTICE

## Contact

Takko Fashion GmbH  
Alfred-Krupp-Str. 21  
48291 Telgte

**phone** +49 (0) 2504/923-00

**fax** +49 (0) 2504/923-168

**email** [info@takko.de](mailto:info@takko.de)

**web** [www.takko.com](http://www.takko.com)

## Press

**phone** +49 (0) 2504/923-369

**email** [presse@takko.de](mailto:presse@takko.de)

