



# SOURCING REPORT

2018 / 2019

[takko.com](https://takko.com)

**TAKKO**  
FASHION





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CSO

# INTRODUCTION

Dear Readers,

Thank you for reading our Sourcing Report and for your interest in our production and sourcing processes. Both topics are of paramount importance in the field of discount fashion and increasingly in the focus of public interest.

For many years, we have been working intensely on improving the working conditions and social standards at factories producing Takko Fashion garments. Back in 2007 we have already developed our Code of Conduct for suppliers and manufacturers. We have also set up our own audit teams, to verify compliance with these standards and monitor the improvements of the factories.

In 2011 we joined the Fair Wear Foundation, a multi-stakeholder initiative that is committed to improve working conditions in the textile industry. We are very pleased to have the FWF

as an independent and credible partner in this important mission. Furthermore we have signed the Accord on Fire and Building Safety in Bangladesh in 2014, as well as the Transition Accord in 2018, and joined the Partnership for Sustainable Textiles in 2015.

Beyond our memberships we collaborate with associations and other textile companies to improve working conditions in the countries where our garments are manufactured.

As an international operating company we are committed to meeting our responsibilities and contributing to the achievement of the Sustainable Development Goals of Agenda 2030.

Transparency plays an important role in our relationships with employees, partners, suppliers and customers. We constantly work to review, optimise and maximise the transparency of all processes in our value chain.

In our Sourcing Report we regularly publish information about our activities in this area, proving that a discount fashion retailer can also be a sustainability champion!

Sincerely,  
The Management Team





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# 1. SMART? DISCOUNT!

We're a 'Smart Discounter', which means we offer casual fashion for the whole family at sensational value for money.

Since opening our first Takko Fashion outlet in 1982 we have evolved into one of the most successful discount fashion retailers in Europe. At over 1,900 stores in 17 European countries we stock a regularly changing mix of trendy styles and classic basics for the whole family. At our stores in Germany, Austria, Switzerland, the Netherlands, the Czech Republic, Slovakia, Romania, Poland, Belgium, Slovenia, Estonia, Lithuania, Croatia, Italy, Serbia and France, we provide to the needs of a trend and price-conscious customer base. Customers in Germany can also buy Takko Fashion products via our online shop (takko.com).

Focusing on our customers' needs is one of our top priorities and we encourage our customers to engage with us whenever and however they like – at our stores, in our online shop and on social media. An omnichannel strategy enables us to create multiple touchpoints and deliver an unlimited shopping experience to our customers. That's a priority for us because the 'Smart Discounter' ethos is all about letting our customers decide how, where and when they shop for fashion products.



## CORPORATE FACTS

**COMPANY: TAKKO GROUP**

**ALMOST 18,000 EMPLOYEES**

**ESTABLISHED 1982 | 17 COUNTRIES**

**MORE THAN 1,900 STORES**



**ONLINESHOP TAKKO.COM (DE)**



**OVER 90,000  
INSTAGRAM  
FOLLOWERS**



**MORE THAN  
550,000  
FACEBOOK FANS**

**PRINCIPAL SHAREHOLDER: APAX PARTNERS**

**12 PRODUCTION COUNTRIES**

**375 AUDITS, 54 PRE AUDITS**

As at: April 2019



# 2. PRODUCTION CYCLE

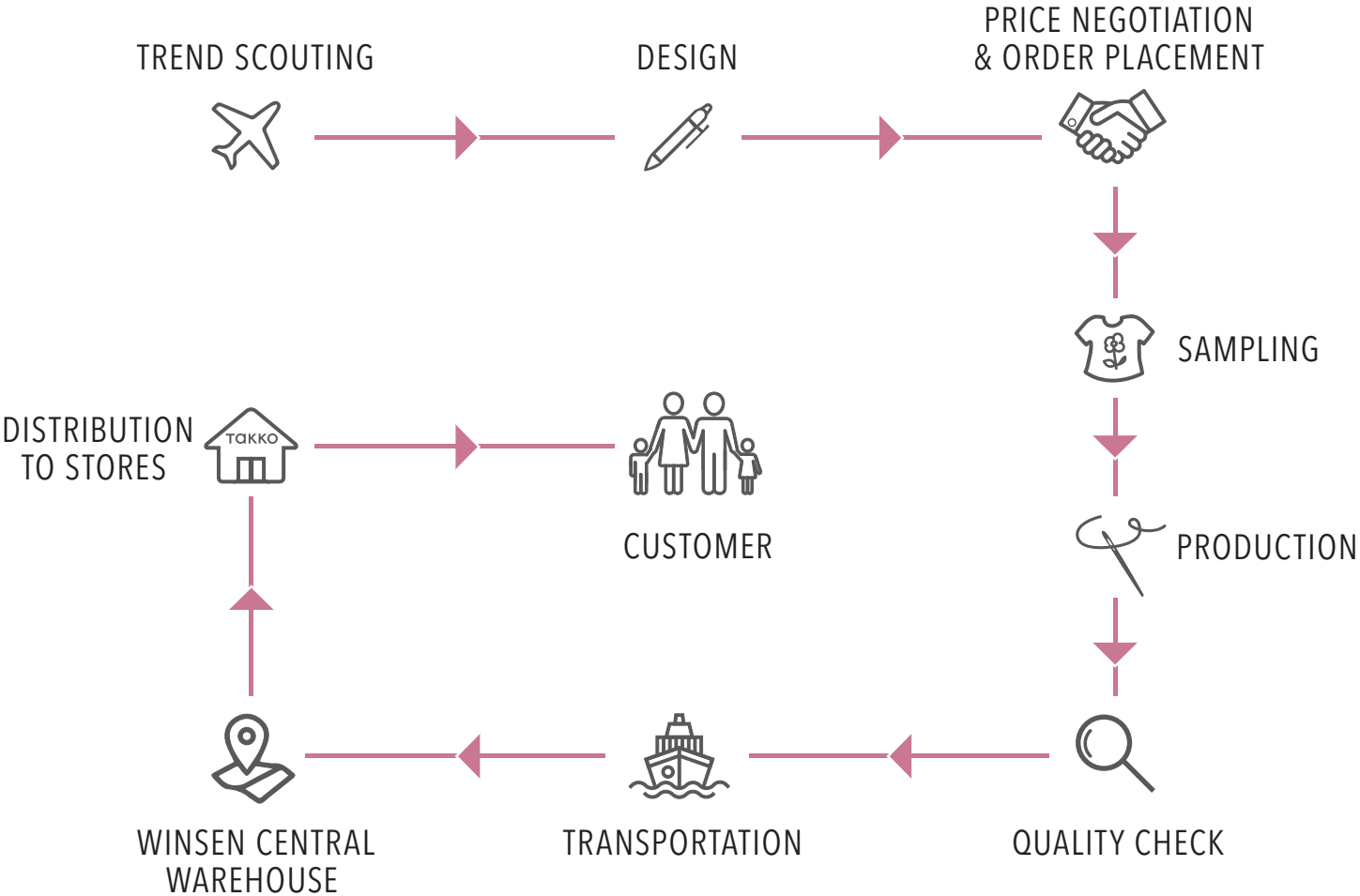
We aim to provide customers with a mix of trendy statement pieces, casual basics, practical everyday garments and fashion accessories for the entire family. That’s the reason why our in-house designers travel regularly to the world’s fashion capitals to gain inspiration and scout for new trends, which we adapt to our customer’s needs and requirements. We create designer styles that are trendy, wearable and that our customers feel entirely comfortable with.

Our product designs are all created by an in-house team of product managers at our headquarters in Telgte. The finished Takko Fashion styles are then forwarded to the purchasing team in Friedrichsdorf, so that they can initiate the sourcing process. Orders are placed globally to ensure that our garments can be manufactured cost effectively and to a very high standard. Our international offices coordinate the production of our garments in their respective countries.

We only purchase finished products, which means that the raw materials and components of our products are bought in by the factories or suppliers, and not by us. Cost sheets are used to calculate the purchase prices.

Production time is not directly related to lead time, especially in the case of long-term orders, so we place a significant portion of our orders during the low season. Standard lead time for our garments is style and product-dependant; usually between seven and nine months.

Before the production of the orders is approved by the purchasing team, the supplier sends samples, which are checked by our quality control department for quality, fit and design. If they pass the quality tests, the order is approved for production. The finished products are shipped in containers to the Port of Hamburg, then transferred to our central warehouse in Winsen for assignment to one of our four distribution centres in Telgte, Winsen, Schnelldorf (Germany) and Senec (Czech Republic). From there they are transported to our stores – more than 1,900 in Germany and abroad.







### 3. QUALITY STANDARDS AND ASSURANCE

We offer our customers convincing quality at affordable prices. The fact that our own quality standards are more stringent than those required by law is a reflection of the importance we attach to the quality of our products.

All processes which have a decisive influence on the quality of our products are performed by our own employees. Our optimised production and inspection processes enable us to develop, source and supply large volumes of high-quality products efficiently and quickly.

We maintain a consistently high level of quality with uniform process, product and component standards. Close collaboration between the different departments in our organisation is also important in this context. For example, the quality assurance team works very closely with the design, product management and procurement teams during the product development process.

The designers and buyers always take our quality requirements into account in the initial phases of developing a new collection. Their innovative designs are not only fashionable, they also conform to our strict quality guidelines and standards. When the local quality assurance teams have checked quality standard compliance in the manufacturing countries, the garments are inspected again by our in-house team in Germany. The second inspection covers appearance, workmanship and fit, as well as physical properties such as colour fastness, seam slippage and dimensional stability after washing, as well as compliance with hazardous substance limits imposed by law or consumer organisations.

Close collaboration between all departments involved in the product development process improves our product quality, shortens the development process and enables us to exploit the synergies between development and sourcing.

## QUALITY CERTIFICATES

We want our customers to recognise the high standards that our products conform to at a glance. That's why we launched our own quality label in the 2018/2019 fiscal year.



**MEIN LIEBLINGSSTÜCK BY TAKKO FASHION**  
We make five promises to our customers with our quality label:

- Carefully selected raw materials
- Hazardous substance-tested fabrics
- Comfortable fits
- Audited social standards
- OEKO-TEX® Standard 100-certified or GOTS-certified

Every product that meets these quality criteria is given a "Mein Lieblingsstück by Takko Fashion" quality label. It helps customers to immediately recognise which of our items satisfy our most stringent quality standards.



### GOTS (GLOBAL ORGANIC TEXTILE STANDARD)

GOTS is recognised as the world's leading standard for ecologically and socially responsible textile production. Certified products must contain a minimum of 70 percent organic fibres and meet strict environmental criteria, ranging from the procurement of organically cultivated natural materials to environmentally and socially responsible production.



### OEKO-TEX® STANDARD 100

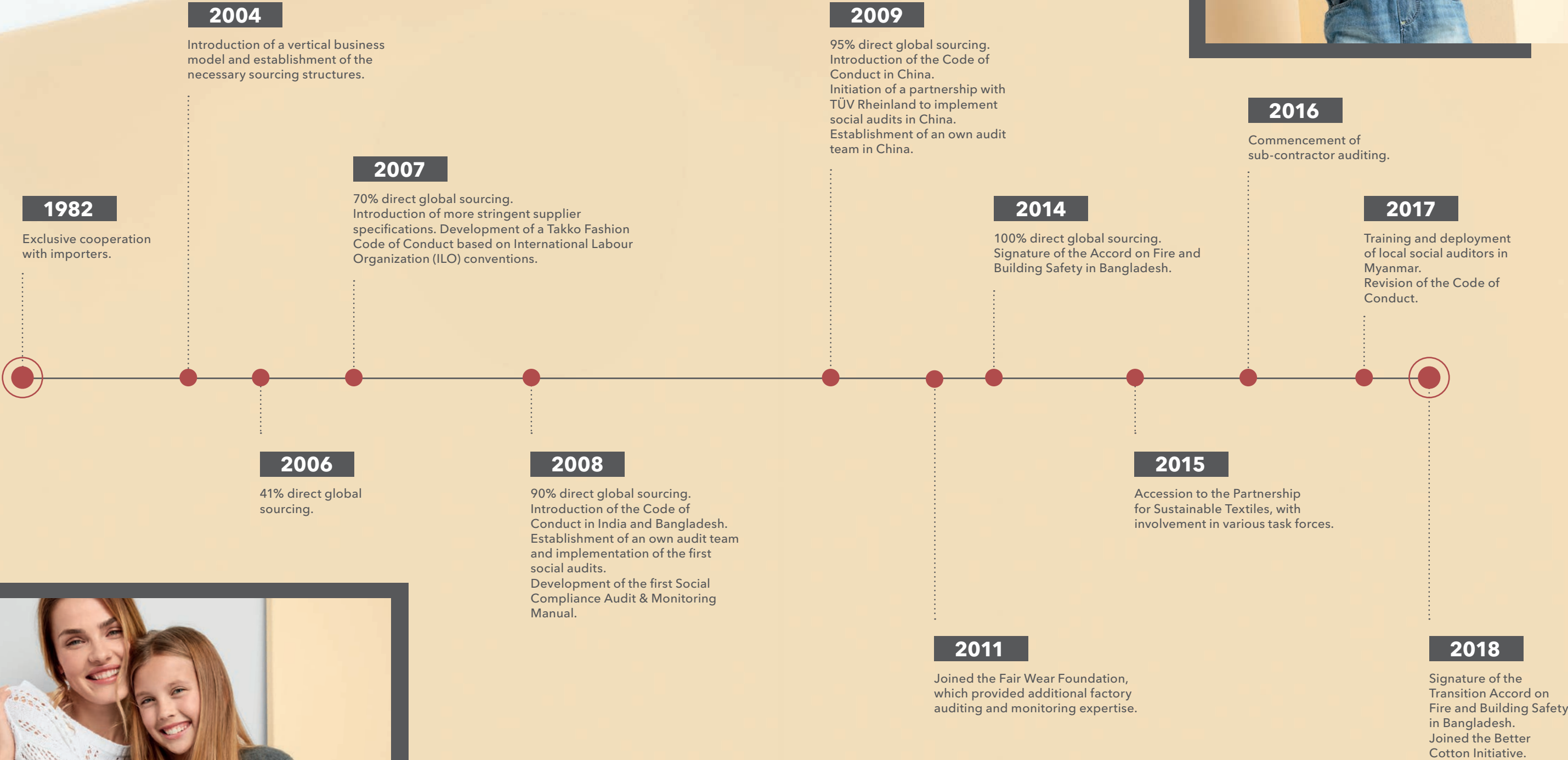
The Oeko-Tex® Standard 100 was introduced in 1992 as a globally recognised testing and certification system for raw materials, interim products and finished products in the textile industry at all stages of processing. It also extends to accessory materials. The Oeko-Tex® Standard 100 certifies a level of freedom from hazardous substances that exceeds statutory requirements. All components of the products tested must pass the Oeko-Tex® Standard 100 tests to obtain certification.



### BETTER COTTON INITIATIVE

Our strategy is geared to the sourcing of sustainable cotton. We joined the Better Cotton Initiative so that we can step up our efforts in this area. As a BCI member we are committed to improving the ecological, social and economic conditions in cotton production. The BCI initiative provides training on sustainable cotton growing practices to local farmers. The farmers learn to improve their yields by applying more ecologically valuable methods. Our membership of BCI is therefore a long-term and global approach to the development of better cultivation methods.

# 4. THE HISTORY OF OUR SOURCING PROCESS





# ACHIEVED OBJECTIVES IN THE 2018/19 BUSINESS YEAR

We set ourselves some ambitious goals relating to improving the working conditions at our partners' factories in the 2018/2019 business year.

All of them were achieved and we additionally laid the foundations for further improvements.

The Code of Conduct, which was revised in 2017, and the CSR Commitment Letter were followed by a Procurement Compliance Manual in 2018/19. It explains Takko Fashion's expectations of its suppliers. Among other things, it details the process for listing a new factory and the rights and obligations ensuing from Takko Fashion's membership in various organisations. These include social audit processes, the complaints mechanism and training required by the Fair Wear Foundation, as well as the inspection, training and escalation processes set out in the Accord on Fire and Building Safety in Bangladesh.

With the assistance of systematic order logging we have added the sub-contractors to our PLM (Product Lifecycle Management) system. The system now shows the sub-contractor used to finish the product for each order to further improve the level of transparency in our supply chain.

# OBJECTIVES FOR THE 2019/20 BUSINESS YEAR

In the coming business year, we have a lot of plans to further improve the working conditions in the factories, as well.

One of those is to incorporate an Anti-Corruption Policy in our Code of Conduct. We will also develop and implement a training programme to inform factory workers about our Anti-Corruption Policy.

The conducted audits will be entered into our PLM system with the help of a special app and a tablet computer so that we have all the important data available digitally.

As a signatory of the Transition Accord we hope to improve on the good results achieved last year and raise the average compliance rate at all the factories manufacturing garments for Takko Fashion to 96 percent.







# 5. SOURCING STRATEGY AND ORGANISATIONAL STRUCTURE

We allow our products to be manufactured only at audited and safe factories, and rely on clearly defined organisational structures in our sourcing processes.

A 100% transparency across all production facilities, where we place orders, is of particular importance. Exclusivity, i.e. every factory only being used by one supplier for each production type, is another factor that we focus on strongly. We set high standards for both ourselves and our business partners in the sourcing process.

Here are some of our special priorities. We want to go on expanding the good partnership with our suppliers and further improve the working conditions for workers and producers. Within our organisation, we are nurturing the necessary skills to optimize sustainability processes. To facilitate this we have set up a procurement compliance department at our Friedrichsdorf office. The procurement compliance team monitors adherence to our Code of Conduct, continuous improvements of working conditions and the creation of safe working environments for the factory employees. It is supported by local CSR teams at our international offices in China, Bangladesh, India and Myanmar.

## AUDIT PROCESS

Our social auditors regularly conduct scheduled and un-scheduled audits at our suppliers’ production facilities. In addition to our local auditors we use the services of the renowned auditing firm Sumations and TÜV Rheinland in order to be able to conduct audits in all of the producing countries. All audits are based on our Code of Conduct and statutory regulations on workplace safety.

The audits enable us to document the status of social conditions at the production facilities. After the audit, our local teams or the external auditors develop action plans and timelines for necessary improvements of social standards, in collaboration with the factory management. This enables us to ensure that the factory management understands our concerns and takes appropriate action to optimize them.

All social audit reports and the corresponding action plans are stored in our PLM (Product Lifecycle Management System). This gives our procurement compliance team the opportunity to evaluate the social audit results and organise education and training sessions for the factory employees to remedy non-conformities.

A total of 375 full audits and 54 pre-audits were conducted in the 2018/19 business year. This reduction in the number of audits compared with last year reflects the improvements that have been made at the factories. The resulting free capacity was utilised to provide training to factory workers and introduce preventive measures at the factories. The percentage audit rate measured in terms of FOB (free on board) was 95 percent, which is one percent higher than in the previous year.

COUNTRIES	FULL-AUDITS
Ethiopia	1
Bangladesh	237
China	54
India	57
Cambodia	7
Myanmar	14
Pakistan	1
Sri Lanka	2
Turkey	2
TOTAL	375

COUNTRIES	PRE-AUDITS
Bangladesh	3
China	43
India	1
Myanmar	2
Pakistan	1
Turkey	4
TOTAL	54

Thorough checks are made before we enter into a business relationship with a new factory or supplier. If there is no current social audit report with a corresponding action plan, an audit is conducted by our international office or an external auditor.

We only work with the factory if it is obviously committed to improving social conditions. Final approval of a factory or supplier is issued by the procurement compliance team. If the factory is rejected, the purchase team is not permitted to place any orders with it.

We also inform potential business partners about our membership in the Fair Wear Foundation and request them to sign our Code of Conduct. Potential business partners in Bangladesh are



also informed that we are a signatory to the Accord on Fire and Building Safety in Bangladesh and the Transition Accord, and of their obligations with respect to inspections under the Accord. If even one of the above is rejected by the potential business partner, we do not enter into a partnership with them.

If non-conformities are established during an audit of one of our approved business partners, the production facility is instructed to correct them. The supplier is required to monitor the remediation of their factories. If, after a lengthy period of time and many discussions, a factory shows no commitment to correcting the non-conformities, the order volume is continuously reduced and the business relationship is eventually terminated. The termination of a business relationship is always our last resort. As a company we value long-lasting partnerships and we are keen to ensure the continuous positive development of the production facilities. We want to raise awareness of this important issue among our partners so that they will support us in the gradual process of further improving standards in the production countries.

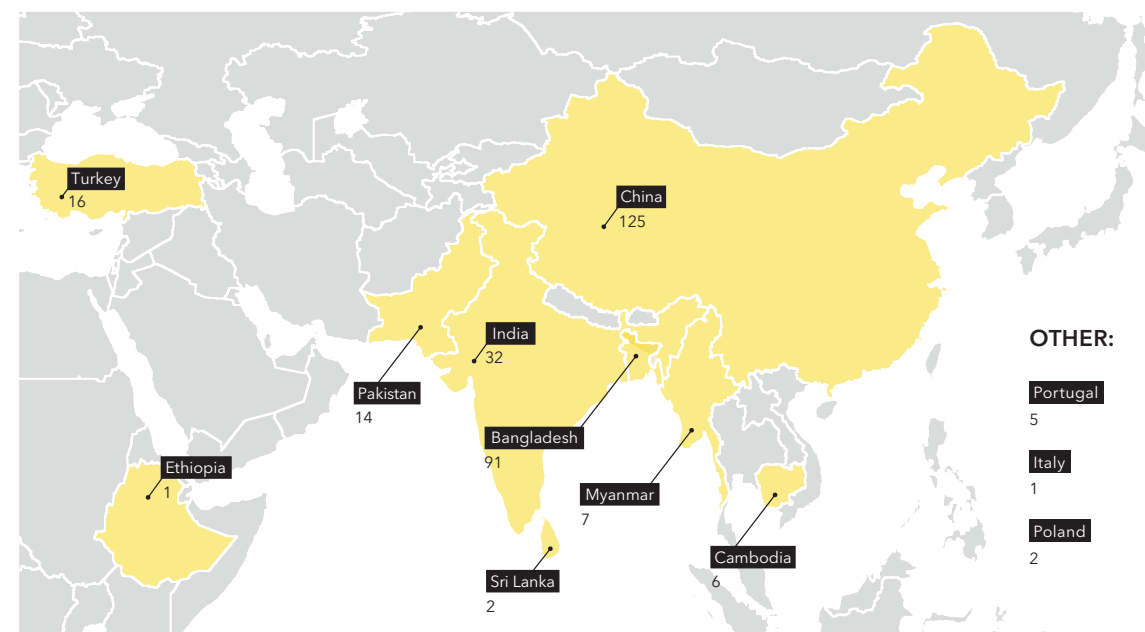




## WORKING TOWARDS THE SAME GOAL

## NUMBER OF PRODUCTION FACILITIES

Our products are currently manufactured at a total of 302 sewing factories\*, mostly in Asian countries. To facilitate positive, consistent and efficient cooperation with our suppliers and production facilities we have established local offices in our main sourcing countries of China, Bangladesh, India and Myanmar, with over 20 persons working on procurement compliance topics.



Total: 302 production facilities\*

As at: 31 January 2019

\* Not including jewellery suppliers or additional purchases of carnival or stock goods. The figure includes all sewing factories.

## 6. SOURCING STANDARDS - OUR CODE OF CONDUCT

Taking responsibility for our corporate activity is an important pillar of our company's policy. It is our view that in a global economy social responsibility of international companies is not only restricted to sales markets but must also apply in all regions where they operate, wherever possible.

We take 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 the business and in every part of the world,
- ethical and responsible management in all 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, trafficked 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 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 twelve 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 prior to 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. PROTECTION OF THE ENVIRONMENT

Our business partners must follow all environmental laws and regulations applicable in the country where they do business.

Business partners must possess the required environmental permits and licences for their operations. Business partners must always adhere to the applicable standards and legal regulations concerning the treatment of chemicals or other hazardous substances, as well as their disposal. Our business partners are obligated to reduce emissions or negative impacts on the environment caused by production. We expect our business partners to act responsibly when it comes to preserving natural resources, and demand continuous improvement of environmental performance.

#### 3. OTHER LAWS

Business partners fulfil all valid laws and regulations, including anti-corruption laws as well as those concerning the manufacture, price calculation, sale and delivery of products. All references to „valid laws and regulations“ in this Code of Conduct cover local and national legislation, regulations and directives, as well as applicable contracts and voluntary industry standards.

#### 4. SUBCONTRACTORS

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

#### 5. MONITORING AND COMPLIANCE

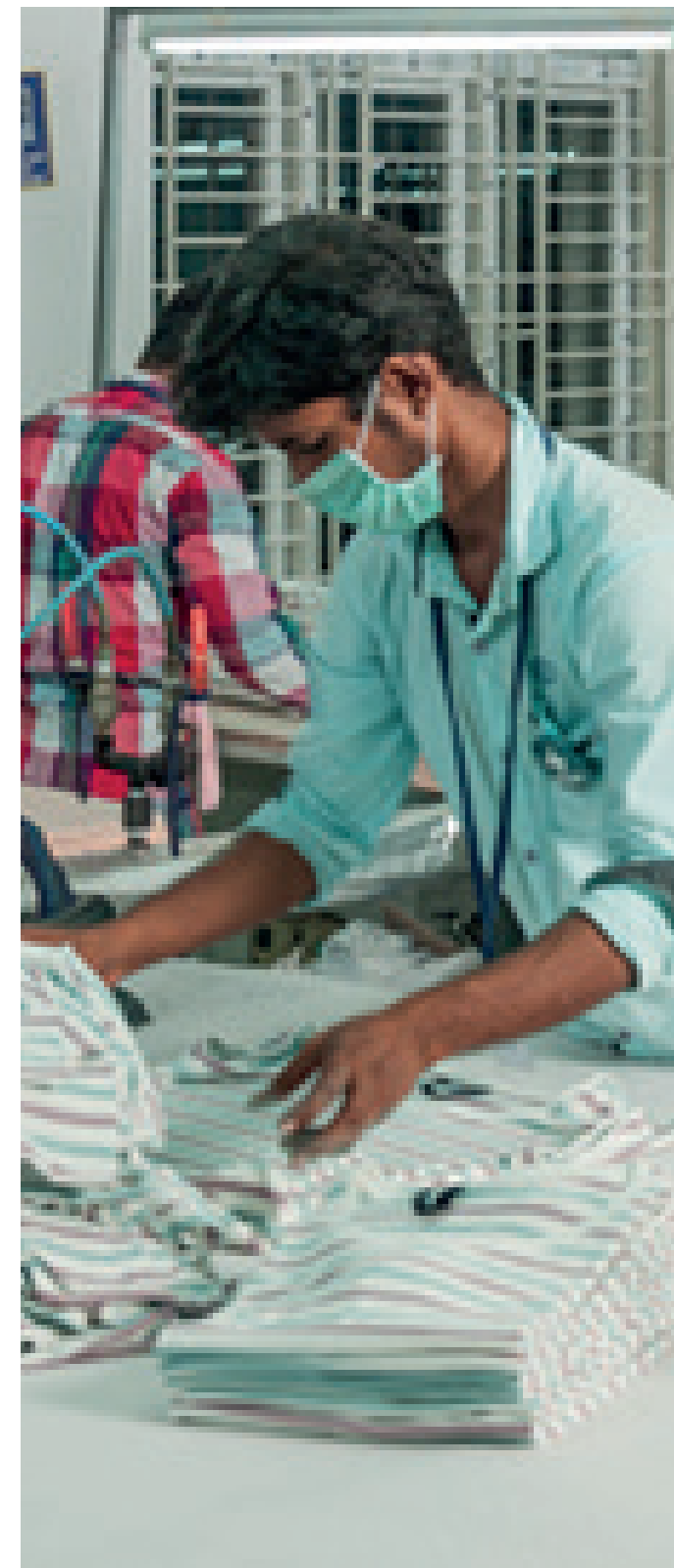
Business partners will authorize Takko Fashion and its designated agents (including third parties) to engage in monitoring activities to confirm compliance with this Code of Conduct, including unannounced on-site inspections of manufacturing facilities and accommodation provided by the employer, reviews 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 WEAR FOUNDATION AND ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH

Before starting a business relationship with Takko Fashion, business partners have to guarantee their compliance 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 that is committed to improve workplace conditions in the garment, textile and footwear industry. The organisation was founded in 1999. Its board includes Dutch trade unions and NGOs, such as the Clean Clothes Campaign. The organisation is active in eleven garment-producing countries in Asia, Africa and Europe. By sharing expertise, building networks and encouraging 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 130 brands. Takko Fashion has been a member of the FWF since 2011.

### Social audits

A central component of our membership in the Fair Wear Foundation is the continuous improvement of working conditions at the factories where our garments are produced.

This is achieved through social audits and the definition of improvement measures. These measures are discussed and monitored at regular meetings with suppliers. The FWF also assesses our efforts in regular verification audits and in the annual brand performance check.

### Complaints management

Information about social standards is displayed in the national language at the factories, together with hotline numbers so that the factory workers can easily contact the Fair Wear Foundation directly. Both workers and third parties such as NGOs can report complaints via this system.

To ensure that all complaints are processed quickly the local Takko Fashion audit teams collaborate closely with the Fair Wear Foundation employees. Transparent communication between all the parties involved is paramount.

### Training and education

The workplace education programmes cover management, staff and supervisor training. The objective is to train both management and staff in effective internal communication to simplify the internal conflict resolution process and 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 tasks is to provide regular information to our 18,000 employees about our sustainability management activities, because they are the Takko Fashion brand's most important ambassadors and a direct line of communication to our customers. We provide regular updates on CSR activities and targets by publishing background material and our sourcing report on our website. New recruits who will have direct contact with suppliers and factories receive special training during their induction phase.

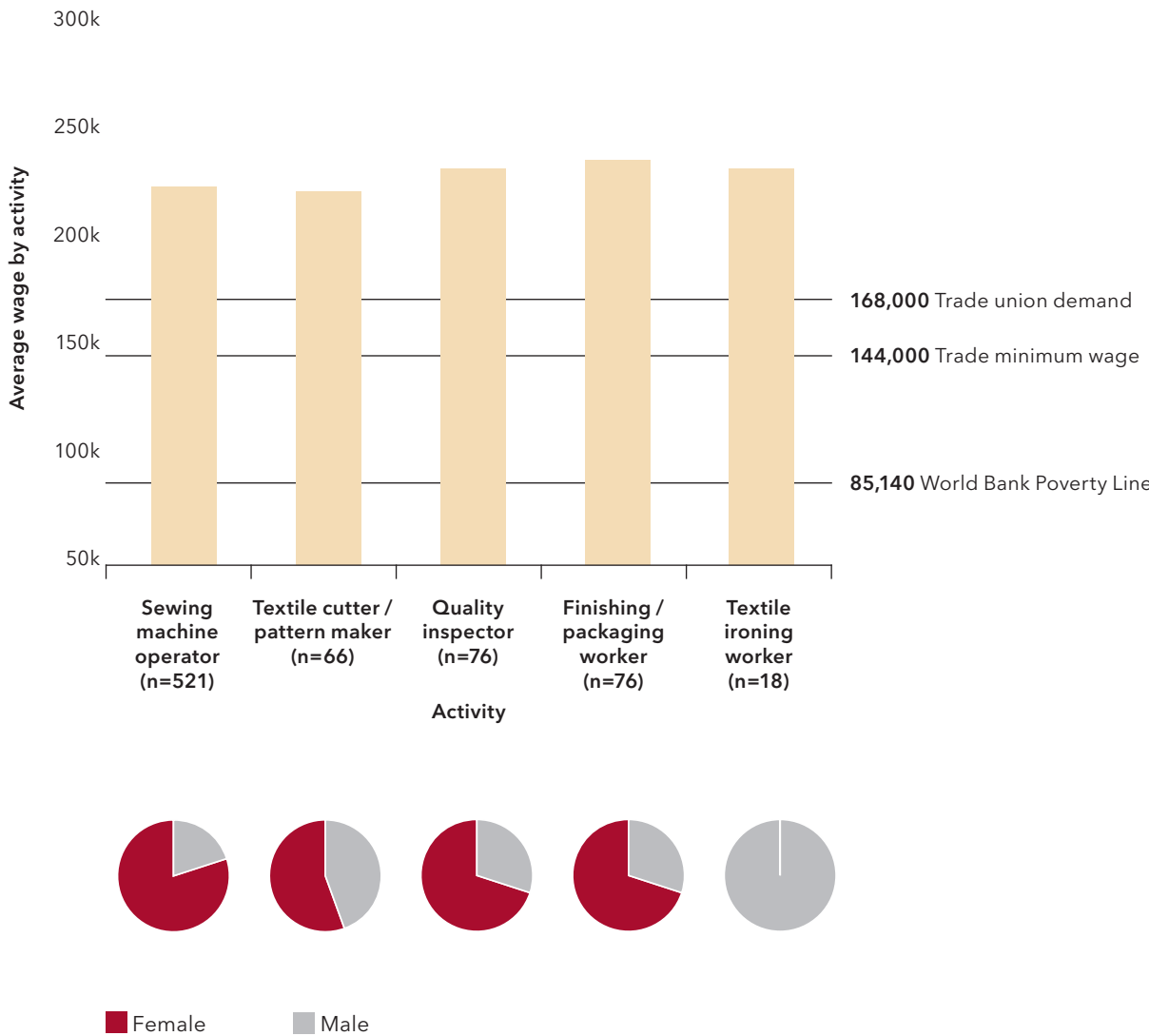
External communication with our business partners is also very important to us. Information on social standards is an integral element of contract negotiations when we are building and expanding new business relationships.



# WAGE LADDERS

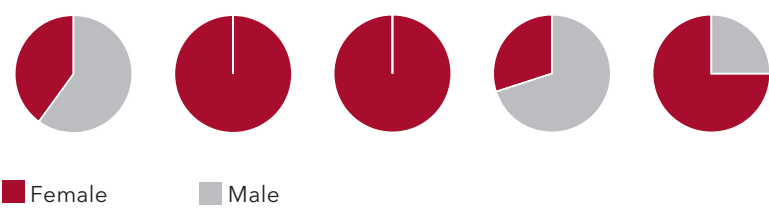
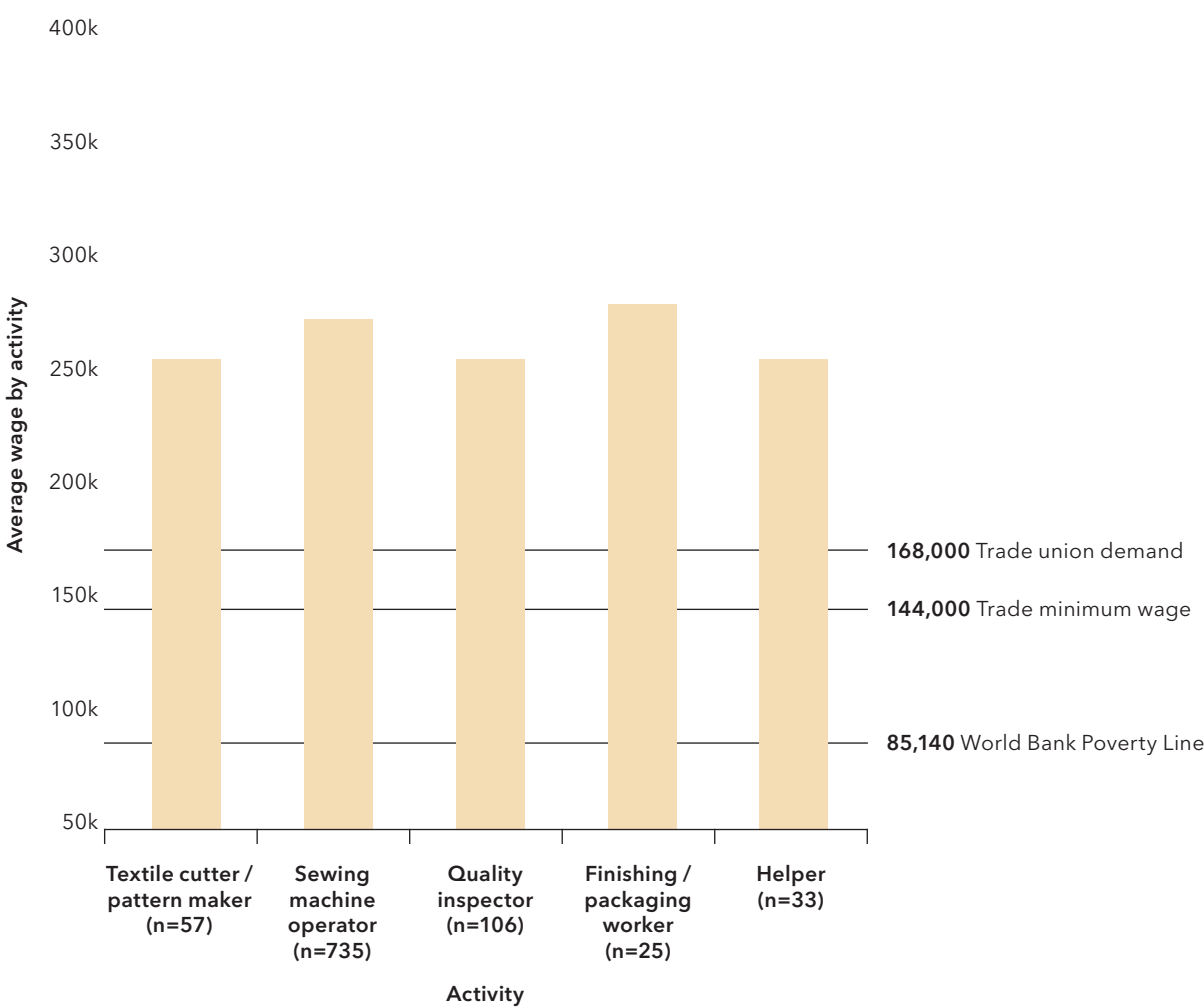
As a member of the Fair Wear Foundation we are committed to of FWF's Myanmar Enhanced Monitoring Programme and are required to publish wage ladders for the factories that manufacture Takko Fashion garments. The wage ladders also include bonuses and overtime. Together with the Fair Wear Foundation we are working on reducing the overtime hours at the factories.

## FACTORY A

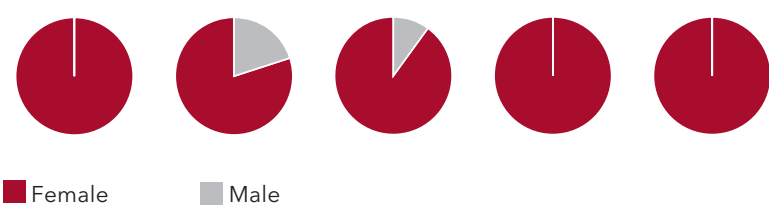
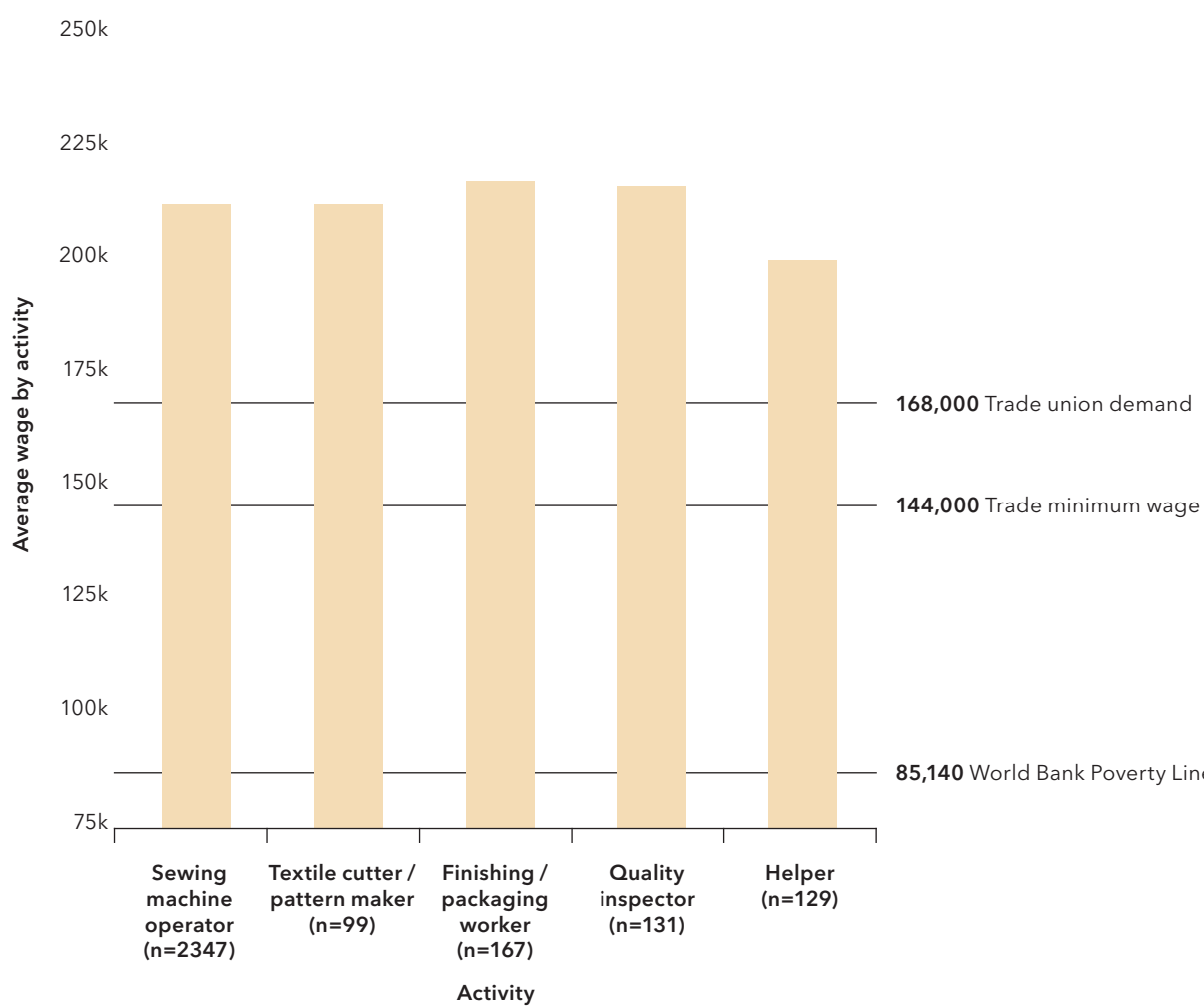




# FACTORY B

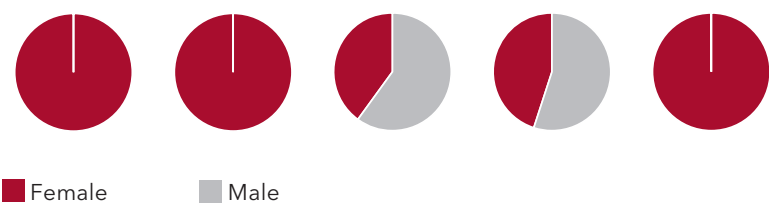
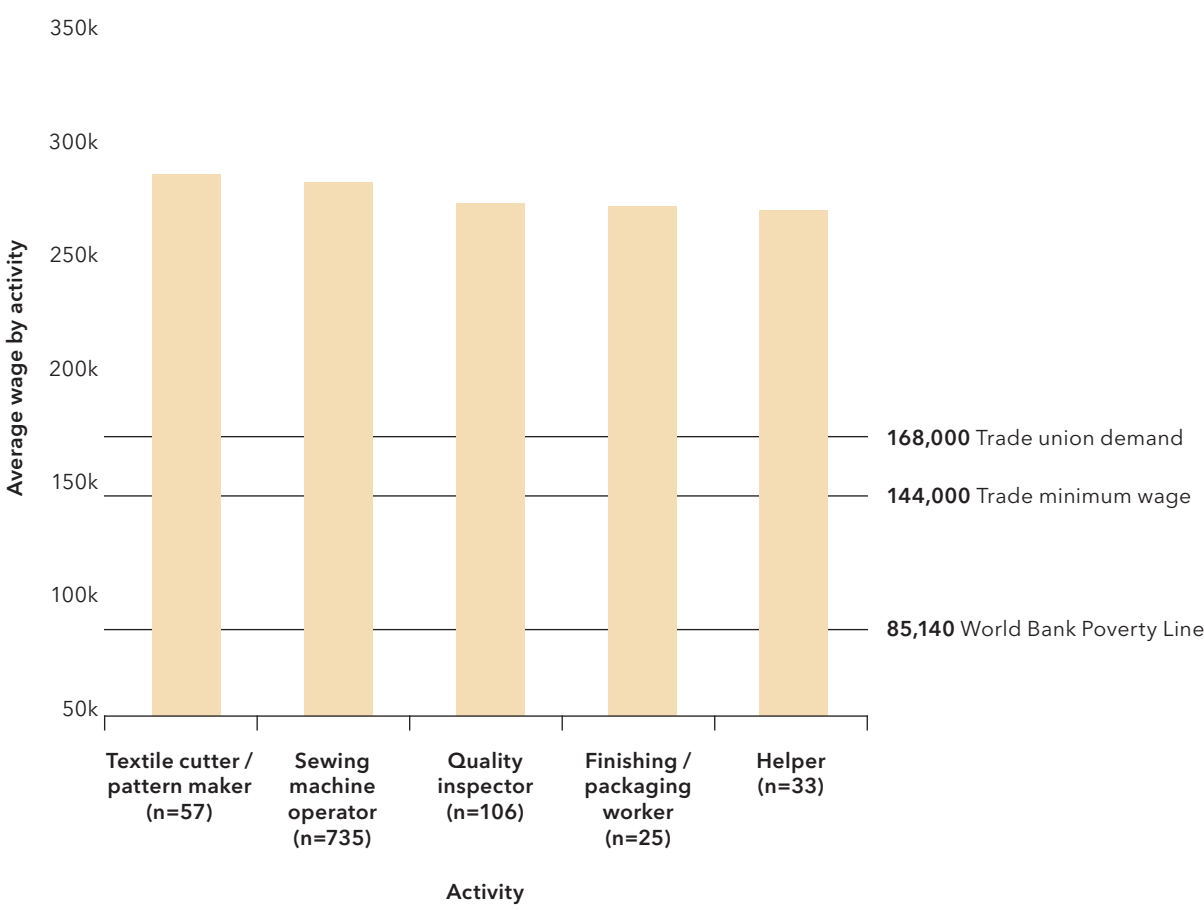


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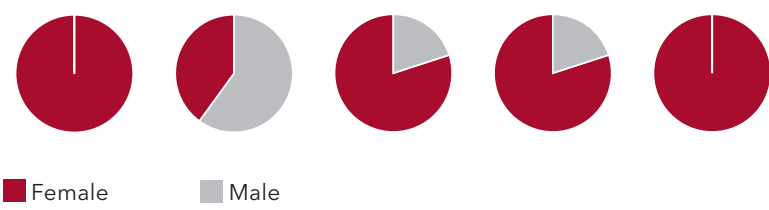
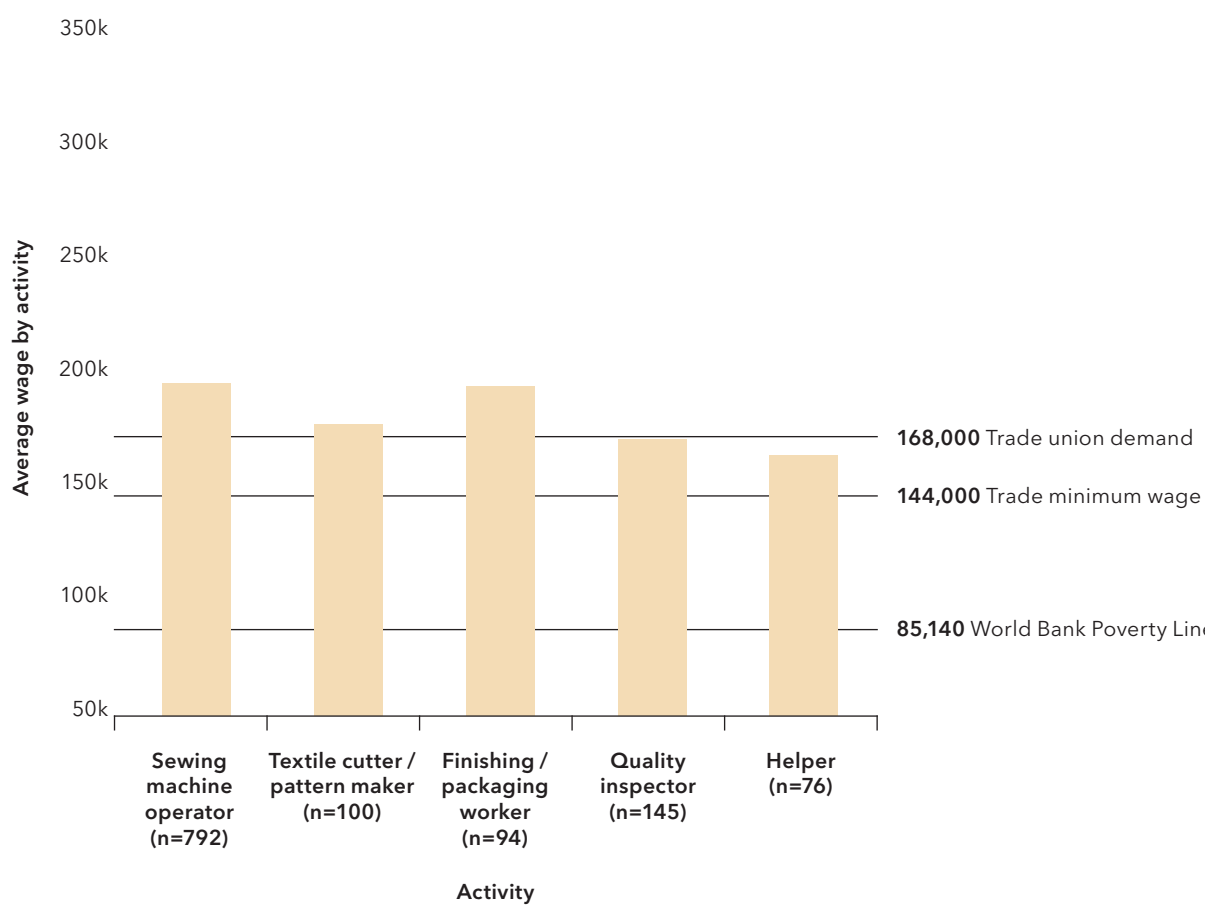




# FACTORY D



# FACTORY E





**Original complaints**  
In the 2018/19 business year the Fair Wear Foundation published five complaints from workers at factories where we place orders. The original complaints and their resolution are published below.

# MYANMAR – TAKKO HOLDING GMBH, COMPLAINT 337

**STATUS:** Resolved

**COUNTRY:** Myanmar

**DATE:** 02/21/2018

**COMPLAINT ID:** 337

**MEMBER INVOLVED:** Takko Holding

**FILING PARTY:** Worker

**FILED AGAINST:** Supervisor

**GROUNDED:** Yes

**CONCERNING LABOUR STANDARDS:**  
Safe and healthy working conditions

**THE CASE**

FWF's complaints handler in Myanmar received a call from the complainant, who claimed that one of the supervisors forced the workers to stand under the sun in a form of punishment for not being able to complete their targets. According to the complainant, a new style started 15 days ago. At first, the workers were provided with patterns to make the pieces but later on, they had to use theirs hands as the patterns were removed. It makes the job more difficult so, they cannot complete the target.

On 20 February 2018, the supervisor forced the workers from line 1 to 6 (Note: It is around 200 workers as there are 38-40 workers per line) to stand under the sun in front of the building for 30 minutes as a punishment. It was very hot as it was around 13:00 and the temperature was 33 degrees Celsius. When the workers tried to stand under the shade, he yelled at them to get into the sun. In the morning meeting on 21 February, the supervisor intimidated the workers and stated that they deserved the punishment as they were unable to complete the target. He also threatened that if the workers complained about this to anyone, he would make them suffer.

Moreover, in December 2017, he punished them in the same way because he thought they were talkative. At first, he compelled the leaders to stand under the sun and later on, forced the workers from line 1 to 6 to join them. According to the complainant, the supervisor is new and only arrived 3 months ago. He uses interpreters to communicate to the workers. Among two supervisors of the building, he is more aggressive and abusive as he often scolds and yells at the workers. It was mentioned that and the complainant and his/her co-workers discussed to report this case to FWF. The complainant also sent a photo of them standing in the sun as evidence. Although the local supervisors and leaders know, they dare not interfere with the supervisor's order. However, the complainant is not sure whether the HR office knows but she doubts that they would take action against him even if they did.

**FINDINGS AND CONCLUSIONS**

On 21 February 2018, FWF's complaints handler in Myanmar received a complaint from a factory worker, who claimed that the supervisor forced the workers to stand in the sun as a form of punishment for not being able to complete their targets. The complainant included a photo of the workers standing in the sun as evidence. FWF declared the complaint admissible and informed Takko, the FWF member brand sourcing at this factory. Takko reached out the factory management, who at first claimed that the incident had actually been a meeting and not a form of punishment. During the subsequent offsite worker interviews and onsite investigation, all the workers confirmed they were made to stand in the sun as punishment for not meeting the targets and having a lot of repairs. They were not allowed to stand in the shade or sit down. Altogether it took about 30 minutes. All the workers felt dizzy, angry, and wanted to cry. The investigation team concluded that the action taken by the supervisor is both psychological and physical harassment at the workplace and is a strong violation of FWF's COLP. FWF discussed this with the factory management and

the current supervisor. Both of them realised that this is entirely unacceptable and would not bring any positive working relationship in the future between the supervisor and the workers. In the presence of the investigation team, the workers were called for a meeting in the shade on the second day of the investigation. The supervisor said that he did it for the workers to meet the target, but he promised that he would never do it again. He also asked for their cooperation with him to work together in future to meet the target. The factory general manager added that punishing workers by making them stand in the sun is not acceptable and will not be supported by the factory. The workers were satisfied and promised that they would work to meet the target by cooperating with their supervisor. Another worker confirmed that the management and the supervisors treat the workers better and in a more flexible way after FWF investigation.

**02/27/2018 INVESTIGATION**

FWF reached out to Takko, the FWF member brand sourcing at this factory. Takko asked the factory about the complaint. The factory denied the fact that the incident was a punishment but it claimed that it was a meeting to drive the workers to meet the target. Not only the workers were standing in the sun but also the Chinese supervisor. The factory replied that it was a false story with a wrong motive.

**03/13/2018 INVESTIGATION**

FWF conducted an offsite investigation with factory workers, followed by an onsite investigation with the workers from the respective lines. FWF invited the brand's representative to be part of the investigation team. The interviews were conducted in a private room and in a local language. The investigation interviewed 59 workers who were asked to stand under the sun. All the workers confirmed that they were punished under the sun because they could not meet the target and had a lot of repairs. They were not allowed to stand under the shade although there are some trees, nor were they allowed to sit. Altogether, the punishment took about 30 minutes. All the workers felt dizzy, angry, and wanted to cry. There were several verbal announcement made by the supervisor beforehand that they would be standing under the sun if they did not meet the targets. The same incident happened two times before, under the same supervisor. It was also found out that there is enough space in the shade to accommodate the same number of workers for a proper meeting in the factory compound. Indeed, the local supervisors conducted a meeting with the same number of workers near their building after lunch time (which is around the same time) but

on a different date. In that spot, there is enough shade for all the workers to sit and listen under.

**03/13/2018 CONCLUSION OF THE INVESTIGATION**

The investigation team concluded that the action taken by the supervisor is both psychological and physical harassment at the workplace. It is a strong violation of FWF's COLP.

**11/01/2017 REMEDIATION**

The investigation team decided that immediate remediation is needed because many workers are traumatised. FWF discussed this with the factory management and the current supervisor. Both of them realised that this is entirely unacceptable and would not bring any positive working relationship in the future between the supervisor and the workers. The investigation team suggested that the supervisor should explain to the workers that he understood now that this action was not appropriate and promise that he would never do it again. The management agreed to do so. In the presence of the investigation team, the workers were called for a meeting in the shade on the second day of the investigation. The supervisor said that he did it for the workers to meet the target, but he promised that he would never do it again. He also asked for their cooperation with him to work together in future to meet the target. The factory general manager added that punishing workers by making them stand in the sun is not acceptable and will not be supported by the factory. He promised to the workers again that this action will never happen again in the future. He encouraged that all workers can suggest what is bad or good to the factory and he welcomes all of their suggestion. The supervisor also promised that he would not shout at them if they ask him questions.

**03/13/2018 RESOLVED**

FWF asked the workers if they were satisfied and felt better, the workers laughed and replied that they were satisfied, if it never happens again. The workers also promised that they would work to meet the target by cooperating with their supervisor. Another worker stated that the management and the supervisors treat the workers better and in a more flexible way after the FWF investigation last week. They shared the Helpline number with each other and happily talked about the noticeably changed behaviour of the supervisors. The workers now feel more secure and are relieved to have FWF in the factory. It seems that the understanding of the FWF complaint system is much improved and everyone, including the management, is aware of it.



# MYANMAR – TAKKO HOLDING GMBH, COMPLAINT 393

**STATUS:** Resolved

**COUNTRY:** Myanmar

**DATE:** 05/14/2018

**COMPLAINT ID:** 393

**MEMBER INVOLVED:** Takko Holding

**FILING PARTY:** Worker

**FILED AGAINST:** Factory management

**GROUNDED:** Yes

**CONCERNING LABOUR STANDARDS:**

Employment is freely chosen  
Reasonable hours of work

**THE CASE**

The complainant reported that they were forced to stay extra 10 minutes after overtime. According to the complainant, the factory has recently been getting busier and is planning to add one more OT hour. In the morning of 14th May, the supervisors informed the line leaders that the workers had to work until 18:30 instead of usual 18:20. When the workers tried to scan their face for out-record at 18:20, their line leaders stopped them saying the supervisors asked them to work until 18:30. The supervisors were standing in front of the face scanning machine in order to block them from logging out. She added that the union leader is also aware of it but has no power to intervene. She therefore told the workers to work if they would be paid for the extra minutes. However, the workers are not convinced that they would be paid. Moreover, the complainant informed that although the overtime is claimed to be voluntary, the workers are not allowed to deny overtime as they are scolded by their leaders, scrutinized and threatened to be given warning letters by the supervisors.

**FINDINGS AND CONCLUSIONS**

On 14 May 2018, FWF's complaints handler in Myanmar received a call from a factory worker, who claimed that the workers were forced to stay 10 minutes longer after the usual overtime hours. In the morning of 14 May, the supervisors

informed the line leaders that the workers had to work until 18:30 instead of usual 18:20. When the workers tried to scan their face for out-record at 18:20, their line leaders stopped them saying the supervisors asked them to work until 18:30. The complainant is not sure whether they will be paid for the extra overtime. The complainant also claimed that although the overtime is said to be voluntary, the workers are not allowed to deny overtime as they are scolded, scrutinized and threatened to be given warning letters by the supervisors. FWF declared this complaint admissible and informed Takko, the FWF member company sourcing at this factory. Takko reached out to factory management, who responded that they have talked with the union leader/supervisors/team leaders and some workers to investigate this matter. The investigation showed that there was additional OT for some workers in four different sewing lines. The additional OT for these lines was estimated to be about 5 to 10 minutes by May 14, 2018. The factory management stated clearly to all the supervisors and team leaders that they should not arrange any additional OT for any reason, they can not force the workers to work for OT as this must be voluntary. FWF contacted the complainant and learnt that the management has taken action and supervisors apologized to the workers. It has not occurred again since then. Moreover, there used to be a practice where workers were given warning letters when they could not reach the target but now, the CSR manager is constantly educating the supervisors and leaders that it is illegal to give warning letter when workers cannot meet the target. The complainant heard that he does not accept such warning letters anymore. The complainant is satisfied with the outcome of the complaint.

See details

**05/22/2018 REMEDIATION**

Takko immediately requested a response from the factory management. On 22 May 2018 the factory management responded that it has talked with the union leader/supervisors/team leaders and some workers to investigate this matter.

The investigation showed that there was in fact additional OT for some workers in four different sewing lines. The additional OT for these lines was estimated to be about 5 to 10 minutes on

May 14, 2018. The factory management stated clearly to all the supervisors and team leaders that they should not arrange any additional OT for any reason, they can not force the workers to work for OT. They should find the solution to finish the work within working time and within the permitted OT time. The OT must be voluntary.

Factory management added that there are some new supervisors recently and it will conduct additional training on the OT policy within this month for all the supervisors, especially the new supervisors. Factory management guaranteed that there will be no additional OT like this in the future. Supervisors have been instructed that the OT time must be within the permitted OT hours from the government. Management also checked its attendant scan system, the latest check out time is 18:27 on May 14, 2018. And our normal OT time is 18:20. It is allowed that there is 15 minutes allowance for the attendant system.

**06/13/2018 RESOLVED**

FWF contacted the complainant and learnt that the management has taken action and supervisors apologized to the workers. It has not occurred again since then. Now, most of the workers understand that OT is voluntary because the CSR manager always announced it through the microphone. Mostly, the supervisors and leaders request instead of demanding OT from the workers. Moreover, there used to be a practice where workers are given warning letters when they could not reach the target but now, the CSR manager is constantly educating the supervisors and leaders that it is illegal to give warning letter when workers cannot meet the target. The complainant heard that such such warning letters are not accepted anymore. The workers are very happy about it.





# MYANMAR – TAKKO HOLDING GMBH, COMPLAINT 419

**STATUS:** Resolved

**COUNTRY:** Myanmar

**DATE:** 06/06/2018

**COMPLAINT ID:** 419

**MEMBER INVOLVED:** Takko Holding

**FILING PARTY:** Worker

**FILED AGAINST:** Factory management

**GROUNDED:** Yes

**CONCERNING LABOUR STANDARDS:**  
Safe and healthy working conditions

**THE CASE**

FThe complainant, a pregnant worker who recently went on maternity leave, called to confirm whether the maternity leave entitlement should be paid by the factory or the SSB because the HR told her that the factory does not need to pay anything. The complainant is not convinced that the factory would take its responsibility. Moreover, she has not seen any pregnant workers who got the benefits from the factory although there are a lot of pregnant workers. She stated that in this factory, it is customary that pregnant workers chose to resign before giving birth instead of taking maternity leave as the maternity leave entitlements are not explained. She furthermore divulged that the factory always asks the pregnant workers not to come to work whenever there is audit.

**FINDINGS AND CONCLUSIONS**

On 6 June 2018, FWF received a call to the complaints helpline in Myanmar. The complainant is a pregnant worker who recently went on maternity leave. She first called FWF to understand what she is entitled to receive from the social security service (SSB) and factory, because the HR told her that the factory does not need to pay anything.

FWF explained that the medical expenses will be borne by the social security service (SSB).

Additionally, 70% of the average one year salary shall be paid by SSB and the remaining 30% is to be paid by the factory after confinement.

FWF raised the complaint with the brand Takko, who approached the factory management for a response. On 30 July the factory manager informed Takko that they will pay the maternity benefits. Furthermore, the factory posted the policy on the notice board to inform all workers that the factory is responsible to cover 30% of the maternity leave entitlement whereas SSB would be responsible for 70%. A picture of the notice was also shared.

FWF informed the complainant of the factory’s decision and encouraged her to claim her due maternity benefit entitlement. When FWF called her back a few days later, we learned that she ran away from home due to a conflict with her husband. As she did not have her own phone anymore, it proved impossible to reach her. After several unsuccessful attempts to reach the complainant, FWF decided to close the complaint. See details

**06/08/2018 INVESTIGATION**

FWF complaint handler called the SSB official from Naypyidaw to clarify the rights for maternity leave entitlements for pregnant workers. FWF learned that the medical expenses are to be borne by the social security service (SSB). Additionally, 70% of the average one year salary shall be paid by SSB and the remaining 30% is responsible by the factory after the confinement. FWF subsequently explained the rules to the complainant.

**06/20/2018 INVESTIGATION**

FWF raised the complaint with the brand Takko, who approached the factory management for a response.

**07/30/2018 REMEDIATION**

The factory manager informed Takko that they will pay the pending maternity benefits to the worker. Furthermore, the factory has posted the policy on the notice board to inform all workers that the factory would bear 30% of the maternity leave entitlement whereas SSB would be responsible for 70%. A picture of the notice was also shared.

**08/09/2018 REMEDIATION**

FWF informed the complainant that she could contact the factory management and request payment of her due maternity benefits.

**08/15/2018 CLOSED**

FWF tried to contact the complainant to learn whether she received her entitled payment, but learned that she ran away from home due to a conflict with her husband. As she did not have her own phone anymore, she no longer was reachable. FWF tried several times to contact the complainant, but could not reach her. FWF therefore decided to close the complaint.





# MYANMAR – TAKKO HOLDING GMBH, COMPLAINT 484

**STATUS:** Resolved

**COUNTRY:** Myanmar

**DATE:** 08/28/2018

**COMPLAINT ID:** 484

**MEMBER INVOLVED:** Takko Holding

**FILING PARTY:** Worker

**FILED AGAINST:** Factory management

**GROUNDING:** Yes

**CONCERNING LABOUR STANDARDS:**  
Payment of a living wage

**THE CASE**

The complainant reported that the factory had not paid the promised over time wages to workers for public holiday work. The complainant stated that the factory requested all workers to work on Eid (22 August) with the promise of paying 10,000 MMK on 25 August. But on 25 August, the factory postponed the payment without giving any reason to 28 August. On 28 August, the workers were told that they would be paid on 31 August. The complainant indicated that most of them worked during the holiday only because they were in need of money. They were very looking forward to the OT wage but they were disappointed by the management about the delayed and unclear payment.

**FINDINGS AND CONCLUSIONS**

On 28 August 2018, the FWF complaints handler received a call from a factory worker, who claimed that the factory had not paid the promised overtime wages to workers for public holiday work. Payment was promised but repeatedly postponed, leading to frustration among the workers. FWF declared this complaint admissible and reached out to Takko, the FWF member brand sourcing at this factory. Takko immediately contacted the factory management, who stated that they paid the OT remuneration on 31 August 2018. FWF followed up with the complainant who confirmed that the factory indeed paid the workers their pending OT wages. The worker was

satisfied with the outcome. This complaint has been resolved.

**09/03/2018 INVESTIGATION**

Takko immediately contacted the factory management, who indicated that they paid the over time remuneration on 31 August 2018.

**09/10/2018 EVALUATION OF THE COMPLAINT**

FWF followed up with the complainant who confirmed that the factory indeed paid the workers their pending over time wages. The worker was satisfied with the outcome.

**09/10/2018 RESOLVED**

The complaint has been resolved.



# MYANMAR – TAKKO HOLDING GMBH, COMPLAINT 542

**STATUS:** Resolved

**COUNTRY:** Myanmar

**DATE:** 11/14/2018

**COMPLAINT ID:** 542

**MEMBER INVOLVED:** Takko Holding

**FILING PARTY:** Worker

**FILED AGAINST:** Factory management

**GROUNDING:** Yes

**CONCERNING LABOUR STANDARDS:**  
Payment of a living wage

**THE CASE**

The complainant is a worker who is nearing the end of her maternity leave. She has been working at the factory for more than 2 years. Although her maternity leave has nearly finished, she is not yet ready to get back to work. She has been compensated by Social Security Board for 70% of the average income of a year as per the law. When she claimed for the remaining 30% of the entitlement from the factory, the HR told her off that the factory was not responsible for the payment. She is worried that she might not get the 30% as she witnessed that the pregnant workers were never compensated by the factory. She looks forward to receiving the maternity leave compensation as soon as possible.

**FINDINGS AND CONCLUSIONS**

On 14 November, FWF's complaints handler in Myanmar received a complaint from a factory worker, who is nearing the end of her maternity leave but she is not yet ready to get back to work. She has been compensated by Social Security Board for 70% of the average income of a year as per the law. When she claimed for the remaining 30% of the entitlement from the factory (again, as per relevant legislation), the HR officer told her off that the factory was not responsible for the payment. FWF declared this complaint admissible and contacted the FWF member brand Takko, who approached the factory management for a response. The factory

stated that they posted the maternity policy on the notice board (pictorial evidence was also provided) and promised that they will pay the 30% of maternity wage. On 12 December, FWF received confirmation from the complainant that she has been paid 30% of her maternity leave benefits by the factory, as per the relevant legislation. The complainant was very satisfied with the outcome and expressed her gratitude to all involved. The complaint has been resolved.

**12/04/2018 INVESTIGATION**

FWF contacted the FWF member brand Takko on 3 December 2018, who approached the factory management for a response the following day.

**12/06/2018 REMEDIATION**

Factory management informed Takko that they posted the maternity policy on the notice board (a picture was also shared that proves the policy is posted). Factory management also promised that they will pay the 30% of maternity wage the worker is entitled to.

**12/12/2018 RESOLVED**

The complainant confirmed that she has been paid 30% of her maternity leave benefits by the factory, as per the relevant legislation. The complainant was very satisfied with the outcome and expressed her gratitude to all involved. The maternity policy is also posted on the notice board at the factory.



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

The Accord on Fire and Building Safety in Bangladesh was a five-year agreement to improve fire and building safety at factories in Bangladesh that was established in April 2013 after 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, trade unions in Bangladesh and international brands and retailers. The International Labour Organization (ILO) has an independent chair.

In 2013 the Accord was ratified by more than 200 international textile brands, retailers and importers in more than 20 countries! In 2018 we also signed the Transition Accord because this issue is of paramount importance to us.

Regular factory inspections and trainings for both the management and staff facilitate sustainable improvements of workplace safety within the production sites. During or directly after the first inspection, a Corrective Action Plan (CAP), including timelines for each measure, is developed. It is presented to the factory owners, the companies with manufacturing operations in Bangladesh and the worker representation.

The progress of corrective actions is assessed at the Accord inspectors' follow-up visits and an update is provided to the above-mentioned recipients. All companies who source from the factory are responsible for the implementation of CAP measures.

In addition, signatory brands have to ensure that remediation measures are financially feasible for the factories, in order to preserve jobs.

If a factory has to close temporarily, completely or partially for corrective actions to be implemented, the management is required to continue paying the workers' wages for a further six months.

Factories which do not fulfil this obligation will receive a warning and in some cases the business relationship may be terminated.

### WORKER PARTICIPATION AND TRAINING PROGRAMME

An important part of the Accord in addition to inspections is a comprehensive training programme. The objective is to empower employees and help factory owners to take the initiative in making their factories safer. The Accord also helps the factories to set up health and safety committees to monitor the corrective actions.

### HEALTH AND SAFETY COMPLAINTS MECHANISM

The Accord has its own complaints system. All factory workers can use it to report complaints directly to the Accord. Workers who submit complaints are protected against discrimination. The Accord case handlers and engineers examine the complaints and assist in the clarification and resolution process.

Takko Fashion is responsible for 79 factories and we have an active business relationship with 76 of these. The remediation rate for all factories used by Takko Fashion was three points above the Accord remediation rate at the end of the business year. We therefore surpassed the average of all Accord signatories (as at end of January 2019).

All factories, whether they are active or inactive, were inspected by the Accord and we will continue to support them. This also means that we have responsibility for outstanding maintenance work until it has been completed and satisfies our high standards.







## 9. PARTNERSHIP FOR SUSTAINABLE TEXTILES

The Partnership for Sustainable Textiles strives to improve the social and environmental conditions in global textile production. The textile brands, trade unions and civil-society actors in the partnership have teamed up with German development policymakers to collectively push this development and achieve social, ecological and economic improvements in the textile value chains. The German government, represented by the Federal Ministry for Economic Cooperation and Development, and other ministries, are members of the Partnership.

**The Partnership has defined four strategic elements to improve social and environmental conditions in global textile production:**

- > Common definition of Partnership goals
- > Improvement of overall conditions in the production countries and setting up policy recommendations for Germany and the EU
- > Transparent communication about progress within the Partnership and sustainable textile production
- > A Partnership platform to document progress, evaluate feasibility of measures and share experiences

### OUR COMMITMENT

Takko Fashion has been committed to improving working conditions in the production countries for many years. By joining the Partnership for Sustainable Textiles we are not only intensifying our commitment but also pooling resources and exploiting synergies. We can share know-how and experience with other members in the various task forces and work together to achieve new goals.

Our roadmap provides a public and transparent overview of our goals for the business year 2018/2019 to improve further conditions in the textile supply chain. You can read them on the Partnership for Sustainable Textiles' website.

We particularly focus on responsible chemicals and environmental management. Chemicals are essential in the industrial textile production process. They are primarily used in wet processes such as dyeing, printing or washing. In these

process steps substances are used which can have a negative impact on the environment. They can also affect the health of workers and, if there is chemical residue in the finished products, consumer's health.

Our objective is to support the production facilities to ensure the safe and environmentally friendly handling of chemicals in their wet processes to guarantee the protection of both people and the environment. Only together we can improve the understanding for safe handling of chemicals and enhance the sustainable preservation of the environment. A basic requirement for this is transparency throughout the supply chain.

We do not own any factories by ourselves, so we request our partners to disclose the factories that they work with. Once wet processing factories have been identified, data is obtained concerning their handling and storage of chemicals. If necessary preventive measures are taken. Our own policies clarify our requirements towards our suppliers and their factories. Compliance with these requirements is monitored and controlled by us. Furthermore, we support our suppliers and their factories in implementation of our standards with local teams. This multiple-track approach enables us to raise considerably awareness of potential chemicals and environmental management-related problems.

In the chemical- and environmental management initiative we have teamed up with other Partnership members to make short videos on the subject of chemicals management. You can watch the videos on the Partnership's website.



# IMPRINT

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