



IRIEDAILY

Social Report

2019

FAIR
WEAR



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FOREWORD

It is March 2020 and, like every year, I am writing the foreword for the Social Report of the previous year. But this year everything is very different compared to all the past years. Rather than sitting in my office, I am working from my home as the dangerous coronavirus continues to relentlessly spread throughout the entire world. Almost all social life and business activity in Europe has come to a standstill – and nobody can say when we will be able to return to our accustomed life and routines.

In these difficult, uncertain times, supply chains suffer enormously, as do the workers employed in manufacturing enterprises. We are therefore currently not only committed to securing the jobs of our own staff, we are also deeply concerned about the impact on the workers in our production facilities. Especially now, long-standing and trusting business relationships with our suppliers become more important than ever in order to be able to speak openly and honestly about the challenges we are confronted with.

2019 was a year in which a major change in the focus of the textile industry occurred. Initiated by a few school children, a massive movement has emerged that is weary of a globalized economy growing at hyper-fast speeds that plunders resources and destroys the environment in the process. As a result, these students have effectively propelled the issue of sustainability to the top of the agenda in all sectors of the economy. We are thrilled to see this development and are working tirelessly to ensure that our company, too, makes continual strides towards greater sustainability.

An important facet of this is the way in which we deal with people as “resources”. In 2019, we therefore devoted considerable attention and effort to achieving fair working conditions in our supply chain. It is my pleasure to now share with you the steps we have taken to achieve this objective, in the following Social Report.

Stay healthy,

Daniel Luger, CEO

GOALS & ACHIEVEMENTS

GOALS & ACHIEVEMENTS 2019

We did it again!
In June 2019, the Fair Wear Foundation (FWF) awarded us “Leader” status for the second year in succession.
We are delighted that our efforts to ensure good working conditions in our supplychain were rewarded, and this will naturally motivate us to continue striving to improve social standards in the years ahead.

Each year, the Fair Wear Foundation reviews our commitment and the work we have undertaken on the basis of 45 specific indicators. This review is known as the Brand Performance Check and focuses on our progress and efforts over the past business year.



97% OF SUPPLY CHAIN
UNDER MONITORING



SINCE 2016 MEMBER
OF FWF



SINCE TWO YEARS
LEADER STATUS



the 8 elements of Fair Wear’s
code of labour practices



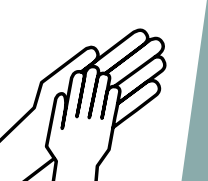
1
Employment
is freely chosen



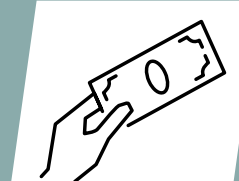
2
Freedom of association
and the right to
collective bargaining



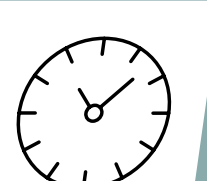
3
No discrimination
in employment



4
No exploitation
of child labour



5
Payment of a
living wage



6
Reasonable hours
of work



7
Safe and healthy
working conditions



8
A legally binding
employment
relationship

Checks implementation
of CoLP in supply chain

Complaint hotline in
11 production countries

Multi stakeholder approach

Checks working conditions
in factories

GOALS 2019

Once a year, the FWF conducts a Brand Performance Check (BPC). It's a tool they use to figure out how member brands' business practices improve labour conditions. On a yearly base our efforts are reviewed by measuring how well we have assessed, identified and resolved issues with our suppliers. FWF checks for example, if our production planning is realistic, and if we made sure that there are no late orders or unreasonable deadlines that could lead to excessive overtime. Every member subsequently receives an individual performance check report, which is then also openly shared with the public.

In addition to the results of the check, the report also provides recommendations as to which indicators should be particularly focused on in the year ahead.

Living Wages

We can assure you that all the workers who produce the Iriedaily items earn the statutory minimum wage, based on the laws in force in the country of production. However, we also make a distinction between minimum wages and living wages. The regular minimum wage, based on a 40-hour week, should normally fulfil basic needs, but often it is not enough to cover the needs of a whole family. Therefore, the payment of fair and living wages is our highest priority.

Every worker should have the opportunity to live on his or her income and have the possibility to set something aside without additional overtime. The fashion industry must not build its profit on the shoulders of poorly paid sewing workers.

In 2019, we have taken a close look at the wages paid and the attendance lists of the workers from the factories where most of our products are manufactured. In this way, we were able to determine exactly how much each worker earns in a 40-hour week without any supplements.

With these figures and the transparency of our most important supplier in China, we were able to define our share of living wages, based on the Asia Floor Wage. In fact, we are taking going one step further. But more about that later!

ped to Germany. In addition to the costs for materials, other items such as labels, zippers, buttons, etc., as well as the factory's fixed costs for rent and electricity, the wage costs that arise during the manufacture of a product are a significant component. To be able to determine this value, we need, in addition to the pay slips and time sheets, data on the actual working minutes required for each item that is produced.

Wage / working hours = wage per hour, divided by 60 min = the wage costs of one working minute in the factory.

If we now multiply this value by the working minutes of each item produced, we obtain the wage costs that are incurred for the production of the respective product. This enables us to pay a fair wage for the manufacture of our products.

As you may imagine, such information is only given to us by suppliers with whom we have maintained a long and trustful relationship. This makes strong, long-lasting business relationships all the more important.

Avoidance of Overtime

Our products are produced in almost equal shares in China and Portugal. While European law applies in Portugal, the situation and working methods are somewhat different in China. There, many workers leave their homes, are usually separated from their families all year round and aim to earn as much money as possible during this time. They often work 60+ hours a week to get the highest possible income at the end of the month. Obviously, as the health of our sewers is of great importance to us, this type of situation is not in our interest.

Therefore, we hope that by paying living wages, the motivation to work excessive overtime will decrease for the workers, as

IRIEDAILY GOALS 2019

1		Payment of a living wage
2		Transparency in Price and Wage Structure
3		Avoidance of Overtime
4		Trainings in Portugal
5		Audit & WEP

Transparency in Price and Wage Structure

In 2019, we held intensive discussions with our suppliers concerning "open costing". It was necessary to convince our partners to guarantee complete transparency in the price structure and with regard to wages. Complete openness is the prerequisite for being able to ascertain the respective wage rates. And this serves as the basis for calculating our share of living wages.

It is clear that no company likes to voluntarily reveal sensitive information, especially when it involves disclosing its profit margin. Our task was therefore to get our partners on board by informing them of our motives in detail. We needed to make it clear that we would not use any of this confidential information to squeeze prices or question their pricing policy. Rather, that we wanted to foster trust and strive to improve the working conditions in our suppliers' factories. During the production of an item, various costs are incurred before the finished product is ship-

they will be able to avoid the additional burden of excessive overtime due to the higher wages that are paid.

In 2018, we have adapted our work processes to avoid overtime. We have successfully managed the transition to a delivery window that is 2-3 weeks longer and more flexible. We received a significant amount of positive feedback from our suppliers for this measure. Therefore, in 2019 we have concentrated on the fine tuning of our processes. One example of this is the earlier submission of design notes for the pre-production samples.

Training in Portugal

Portugal is considered a “low-risk country” by the FWF because, as part of the EU, it implements European labor rights and thus the risk of non-compliance with the Code of Labor Practices (CoLP) is lower. The Fair Wear Foundation is not active in most “low-risk countries”, which means that we cannot book official training courses through the FWF at the production sites there.

In 2019 we set ourselves the task of changing this situation and finding opportunities for further training for our workers. Together with our agency in Portugal, we have compiled information about possible providers of training services. The work of the local “Industry and Commerce Association” was already used by another FWF member a few years ago, therefore providing us with some information. The training courses extend over several days and the training content is only partially consistent with the FWF requirements. For this reason, we made the decision to train a trainer ourselves and to develop our own training concept, especially for Portugal.
See Section 1.6 Integration of social standards, for more information.

Audit & WEP

At intervals of no more than three years, we are required to provide evidence of an audit at our main factories in China. For this purpose, the FWF sends an audit team to the production facility to check the extent to which the FWF Code has been observed. In the event of non-compliance, the FWF auditor criticizes violations and recommends steps for improvement. The results are discussed with local management and a summary of the requirements to be remedied is provided in the form of a Corrective Action Plan (CAP). This contains realistic steps on how to remedy the identified deficiencies within a clearly defined time frame.

We are committed to ensuring that our workers are informed about their rights and the work of the FWF. In order to ensure this, we provide training for management and factory employees through the FWF Workplace Education Program (WEP).

**IMPORTANT EVENTS
& ACCOMPLISHMENTS
2019**

Leader Status

As a result of the Brand Performance Check, our work towards fair working conditions was rewarded with FWF Leader Status for the second year in succession. 94% of our production sites are „under monitoring“ according to the FWF definition. In a “high-risk country” like China, this signifies that compliance with the CoLP has been verified by means of an audit. Naturally, we are striving to increase this monitoring figure again this year.

Transition to Sustainable Materials

We are committed to improving social standards in our factories. However, this is of little use if we ignore our environment. Starting last year, we have already ensured that the majority of our products are eligible to be labeled vegan and that we avoid the use of animal-based constituents as far as possible. Likewise, the conversion to recycled or biologically grown materials is now in full swing. Thanks to our efforts over the previous year, by 2019 we had succeeded in switching 40-45% of all items produced in our two collections to sustainable materials. In order to further raise this value in the future, we will increasingly use materials from sustainable production, such as Lyocell, viscose (from Lenzing) or organic hemp in the coming collections. We are also proud to announce that about 45% of our items in the 2020 collections are packed with polybags made of recycled polyester. Needless to say, we are highly motivated to increase this figure even further next year.

Site Modernization

We are delighted that our most important supplier in China has recognized the urgency for change and has invested in an entire production floor that is specially designed for manufacturing with sustainable materials. The production line will be able to process, among other things, GoT’s verified organic cotton.

Adjustment of our Timeline

In order to avoid excessive overtime due to incorrect production planning, we have adapted our work processes. To prevent production surpluses, we compare the pre-order figures of our customers with the production minimums of our suppliers before the end of the order phase. This enables us to roughly estimate which items will go into production. We forward this pre-selection to the factories, so that they can already start with the procurement of fabrics. At this point in time our suppliers have produced the salesman samples of the coming collection, which are hanging in our showrooms. Together with the estimated production list, the design department sends the recapitulation sheets of all items, with changes and final remarks for production. This gives our supplier about 2-4 weeks more time to prepare the production. Since the production facilities can start production earlier, this adjustment essentially prevents overtime, which often increases towards the end of the production phase.

Labor Minute Costs

Due to the level of transparency provided by our main supplier in China, we were able to determine what a production minute would cost us there in 2019. This knowledge now enables us to calculate what we need to pay per minute in order to guarantee a

living wage at the end of the month for each worker.

Supplier Seminar China

In October 2019, our CSR Manager Isaac conducted several factory visits, including health and safety inspections, in China. While there, he had the opportunity to participate in an FWF supplier seminar together with our main producer LuckyTop. The seminar focused on informing FWF member producers about FWF work and the urgent need for fair wages and transparency. We felt that the seminar helped us to achieve a better understanding from our suppliers for our daily efforts.

Following the seminar, our CSR manager conducted negotiations at LuckyTop’s headquarters about open costing and discussed how we can achieve the payment of fair wages. We are very satisfied with the outcome of this meeting. We received the assurance of almost full transparency, and thanks to our close cooperation on the issue of living wages, we were able to pay a bonus to all workers at the Jiangsu LuckyTop factory who were involved in the production of our Spring/Summer 2020 collection.

Internal Code of Conduct

In addition to adhering to and implementing social standards in our supply chain, the sustainable use of our resources is important to us. For this reason, in the course of our monthly sustainability meetings, we have decided to define an internal company code of conduct. This code of conduct includes the avoidance of plastic items, such as drinking bottles, coffee cups, take-away food, regulations regarding business air travel, CO2-neutral shipping, digitalization of documents, CO2 compensation, recycled cardboard and paper, and much more.

Audits & Workplace Education Program

In 2019 we scheduled an FWF audit with our bags & accessories manufacturer Jing Qi Shi Jia. The purpose of factory audits is to determine the extent to which factories are complying with the labor standards. Any non-compliance with the FWF Code is listed in the final audit report. The auditor specifies requirements and recommends steps for improvement, which are discussed directly with factory management. The audit team’s recommendations also serve as the basis for a Corrective Action Plan (CAP), which we receive after each factory audit. Within a clear timeframe, this plan specifies the specific steps that need to be taken to achieve improvement.

We have also booked a Workplace Education Program (WEP) for the same factory as well as for the Yong Tai factory.

With the Fair Wear WEP, we are able to educate and train our employees to an even greater extent than with an audit, thereby achieving lasting improvements.

The WEP Basic Training took place in both factories. This module provides a basic introduction to the Code of Labor Practices (FWF Work Code). Management and workers are instructed on their respective rights and are provided with an insight into the work of the FWF. In all FWF verified factories, there must be no discrimination, forced labor nor child labor. Workers have the right to freedom of association and collective bargaining, e.g. through a trade union. The payment of living wages with reasonable working hours must be guaranteed. And of course, all workers need legally binding employment contracts and safe and healthy working conditions. Furthermore, all participants also receive information concerning the Fair Wear complaint hotline and other complaint mechanisms.

Bonuses / Living Wages

Living wages are a MUST if we want to achieve sustainable change in the garment industry. The payment of fair wages is one of our most important goals, which we set out to achieve in 2019.

To begin, we considered how we could easily calculate a standard amount so that we could start paying higher wages in our factories as soon as possible. We were aware that we would need to know exactly how high the labor/wage costs were for a single item in order to increase our share of it. Through a survey in two of our main factories, we wanted to find out how much the workers need to live. The resulting average was intended to serve as a “benchmark” for a “target salary” for the workers.

To calculate the labor costs per minute, we divided the “average annual labor costs per employee” by the “average annual working minutes per employee”. Multiplied by a productivity factor of 75%, we obtained a rough figure that shows how much a working minute costs.

Thanks to our survey of factory workers, we also obtained a sense of how much our “target wage” should be. Now it was up to our suppliers to create wage transparency so that we could assess exactly how much a worker earns in a normal 40-hour work week. The difference between the normal wage (without overtime and bonuses) and our target wage is our “Gap”. But since these factories do not only produce Iriedaily items 100% of the time, we are only accountable for the share of our production volume. This means that with a factory utilization of 30% of our capacity throughout the year, we commit to pay 30% of this “Gap”. Since we want the workers to receive a higher monthly wage – and not only in the months when they produce exclusively for us – we pay this “share” all year

round and not 100% of the “Gap”s only in the months when our products are actually produced. However, we quickly learned that this simplified calculation ignored a number of factors. We therefore decided to use an FWF template to produce a correct and detailed calculation based on a three-month period and including a wide range of indicators. To calculate the “Gap”, we used an internationally recognized remuneration rate in the Asian region as a basis.

We distinguish between minimum wages and living wages. All our employees receive more than the minimum wage. However, we want our workers to be able to live well from their wages. That is why the Asia Floor Wage (internationally recognized as a credible and legitimate benchmark for living wages for garment workers in Asia – <https://asia.floorwage.org/>) was defined. This indicates what wage a worker should receive to cover all of his/her costs and still have enough money for transport, food, education and savings.

Our task was to establish exactly how much our workers actually earn, and then pay our share of the difference to the Asian Floor Wage. For the sake of explanation: If the difference between wages and AFW were \$100 a month, we would not cover the full amount, but only the percentage that our production in the factory comprises. Assuming 30% of all products manufactured in a factory are for Iriedaily, this would mean that we should pay 30% of this difference (Gap) more to our workers. In this example it would be \$30 more per month/worker that we would pay as wages. Of course, we are not alone in our factories and can only guarantee that the workers get a fair wage if they actually make our products. This 30% production share is termed leverage.

To ascertain the size of our “Gap”, we need

full transparency and the disclosure of all documents necessary for the calculation. After intensive negotiations with our main supplier in China we have succeeded in doing so.

In the following we explain how our “share” for the Spring/Summer 2020 collection was calculated at Jiangsu LuckyTop, our main supplier in China.

First, we requested all attendance lists, as well as the payrolls of all employees for the period August 2019 to January 2020. Next, the total monthly working hours of each worker were divided by their individual monthly wage. This amount is the personal hourly rate, which is multiplied by the normal monthly working hours (174 hours per month). The resulting sum is the individual monthly wage of each worker for a 40-hour week.

Any cash and non-cash benefits are then also added to the actual wage.

Cash benefits are, for example:

- Cash payments for meals/food, accommodation, transport or childcare
- Holiday or annual bonuses for Chinese New Year holidays, or a bonus for workers who have been in the factory for several years

The annual premium is then divided by 12 to arrive at the proportional monthly amount.

Non-cash benefits include the value of canteen lunches, food rations, accommodation (including electricity, water and food), transport to and from work, childcare, schooling for workers’ children, as well as medical care & health insurance not required by law.

From this amount we subtract the amount of tax levied by the Chinese government

and obtain the calculation basis to determine the difference to the Asia Floor Wage (4,547 RMB).

On top of the „Gap“ we add the insurance percentages that the employee has to pay as a percentage of his or her living wage premium, so that after deducting tax, the actual „Gap“ remains.

However, since the employer also has tax deductions when paying the higher salary, we take this gross amount as the basis for calculating the taxes payable by the employer and also add up the amount received.

This amount is the gross bonus that a worker must receive in addition to his/her wage to be considered a living wage.

The Living Wage bonus therefore contains the:

- + Premium paid to the worker
- + Additional payroll taxes for employees resulting from this increase
- + Cost of cash and non-cash benefits
- + Additional payroll taxes paid by the employer in connection with this increase and all other taxable benefits

The topic is still new to us and we are constantly working to tackle this issue more precisely and transparently. For us, it was primarily important to take the first step and learn from any mistakes. In our pilot project we followed the guidelines of the FWF template. We therefore calculated the gross living wage premiums of each worker for 3 months during which our items were produced in the factory. In the future, we will do these calculations every month, but as we only received the documents for our SS20 production retrospectively, the premiums were calculated in arrears and paid for the entire period before the end of the production phase. This process needs to be optimized by paying each worker a

monthly share. In order to determine exactly how much more a worker gets per hour and how much more our items in production cost as a result, it is necessary to calculate the premium down to the level of one working minute.

To calculate this, we add together the gross living wage premiums of all workers of the months used for the calculation. We then divide this value by the number of minutes worked by all the workers throughout the year and obtain the gross living wage premium per minute. However, as we do not use the factory continuously throughout the year, we pay our percentage share of this premium.

Example for a Chinese worker:

Gross wage	5.000 RMB
Working time incl. overtime	237 hrs.
Hourly rate	21,1 RMB/hr.
x	
Working time without overtime	174 hrs.
Monthly wage 40 hrs/week	3713,1 RMB
+	
Cash benefits	83 RMB
Non-cash benefits	500 RMB
-	
Taxes	-379 RMB
Basic net pay	3918 RMB
<->	
Asia Floor Wage	4.547 RMB
Difference/Gap	629 RMB
+	
Tax compensation (Employee) (total 10%)	63 RMB
Living Wage premium (net)	692 RMB
+	
Tax compensation (Employer) (total 33%)	222 RMB
Living wage premium (gross)	914 RMB

In order to determine exactly how much bonus each individual worker will receive in the period July 2019 to January 2020, we added together all the living wage premiums (gross) for these months. In this way, we know how much bonus we will be paying out to the workers for the complete SS20 production. To determine the individual share, this total amount was divided by the total working hours of the 20-2 production.

This provides us with the amount a worker receives more per hour worked.

We then multiply the bonus/hour, with the help of the attendance lists, by the respective working hours of the individual workers, so that we can say exactly how much more a worker receives.

This distribution key was then passed on to the factory and the bonus payment to the workers was achieved before Chinese New Year. To verify this, we checked the pay slips of all workers to make sure that the calculated amount was actually noted on the wage slip.

For your better understanding it must be mentioned again, that we realized this project with one of our top factories in China, as we had agreed on a joint cooperation on this topic. The wages in this factory are still about 20-30% higher than in other factories, which also pay their workers above the minimum wage. The current minimum wage in China is 2020 RMB/month. In comparison, the Asia Floorwage is set at 4547 RMB/month. The average 73 workers in the factory received about 1/3 more of their actual wages by paying the living wage premium. To compensate these additional costs, we calculate about 2% for it in the product price.

In the future, we will strive to ensure that the workers receive their share every month. As you can imagine, the whole process is a



complicated procedure. We also need to learn how to guarantee a smooth process. We plan to perform these calculations on a monthly basis in the future and include even more of our factories. Of course, this will involve a considerable amount of time and effort as well as checking significant amounts of data.

Training of all Iriedaily employees

It goes without saying that it is essential for all of us to pull in the same direction. Consequently, in 2019 we made it a priority to inform all our employees about our goals, failures and visions. We actively drive our ideas forward in our weekly team meetings with all employees and align the way we work in all departments. Many processes require rethinking and improvement in order to fulfil the basic principles for a sustainable way of working from our side, too.

This demands that all colleagues reflect on their workflow and adjust it if necessary. It is good to see that we at Iriedaily have all approached this task with much enthusiasm and continue to do so.

Moreover, we also shared our efforts and successes with our national & international representatives during two retreats and four sales meetings.

Open and honest communication is extremely important to us.



1. SOURCING CRITERIA

1.1. PURCHASING CRITERIA & PRICE STRATEGY

We have pursued the same philosophy in the procurement of our products for over 20 years now.

We can only achieve continuous quality and stable delivery times if we maintain a collaborative relationship with our suppliers. Therefore, mutual trust and a reliable planning process have always been the key to success when it comes to manufacturing high-quality products fairly.

For our producers this means that they must invest extensive time and effort in having their operations verified for our production. Understandably, our partners are only prepared to do this if they can rely on us in the long term. Therefore, in addition to the assurance of orders, the punctual payment of our suppliers is a matter of course for us.

The production of our designs is split between two countries according to the

product group. Items such as jackets, trousers, shirts, shorts, accessories and knitwear are produced by existing producers in China, where we work together with a total of four suppliers.

Over the past few years we have informed our partners intensively regarding the criteria of our FWF membership and the FWF "Code of Labor Practices". Workers and management are regularly briefed and trained on our work in FWF training courses and during factory visits by our CSR manager.

Our production facilities are located in Jiangsu and Guangdong provinces. The price level there has risen continuously in recent seasons. This is due, among other things, to stricter environmental regulations and the associated increase in material costs. Another reason is the higher wage costs. On the one hand, these are due to rising minimum wages and social security contributions and, on the other hand, to the increasing shortage of experienced workers.

Items such as T-shirts, tops, dresses, sweatshirts and hoodies are made in Portugal.

The FWF classifies Portugal as a "low-risk country", as there are clear legal requirements regarding workers' rights and functioning trade unions exist there.

Thanks to having worked with our agency for over 20 years, all producers are well informed about the FWF guidelines. As a result, we are certain that all factories comply with the specified social standards. Nevertheless, our agent, as well as our CSR manager Isaac, checks the working conditions in the production facilities during regular visits with the aid of the "Basic Health and Safety Checklist".

1.2. PRICING

Maintaining long-term partnerships with our suppliers also leads to stable price levels. The producers know our quality requirements, our order volume and the anticipated breakdown of sizes. This helps them like us in pricing calculations. Based on the approximate comparative figures of previous years, we can estimate fairly accurately how expensive a product is likely to be.

The first step involves submitting the worksheets. In doing so, we inform our suppliers of our planned production prices. The supplier will provide us with an initial indication of their price no later than when the first prototypes have been developed. Should this deviate too much from our planned price, we seek to find a common solution with our supplier. Depending on the complexity of a design, small details can make the production more time-consuming than assumed in the planning. As a result, we either readjust the target sales price or modify the design of the garment to maintain the target price.

Once agreement has been reached with our producers, the prices are fixed for one season, regardless of the number of pieces. This means that our suppliers have a price guarantee in the event that an article is produced again or a higher number of items is produced than initially assumed. Our partners can therefore rely on the fact that there are no subsequent price negotiations on our part to reduce costs.

Last year we received a detailed breakdown of the price structure from our most important supplier from China, LuckyTop. This was only possible due to the open and honest discussions we held and the fact that our supplier is fully behind us when it comes to ensuring living wages. This step was a first big success for us, but we are still far away from a real "open costing" system with all our producers. The majority of our suppliers are not yet willing to reveal their price calculations, as they understandably regard them as their "trade secret". However, as we aim to pay living wages in all our factories, it is essential for us to make further progress in this area.

We will therefore continue to work hard to foster greater understanding for our FWF work and to convince our suppliers of the benefits of price transparency.

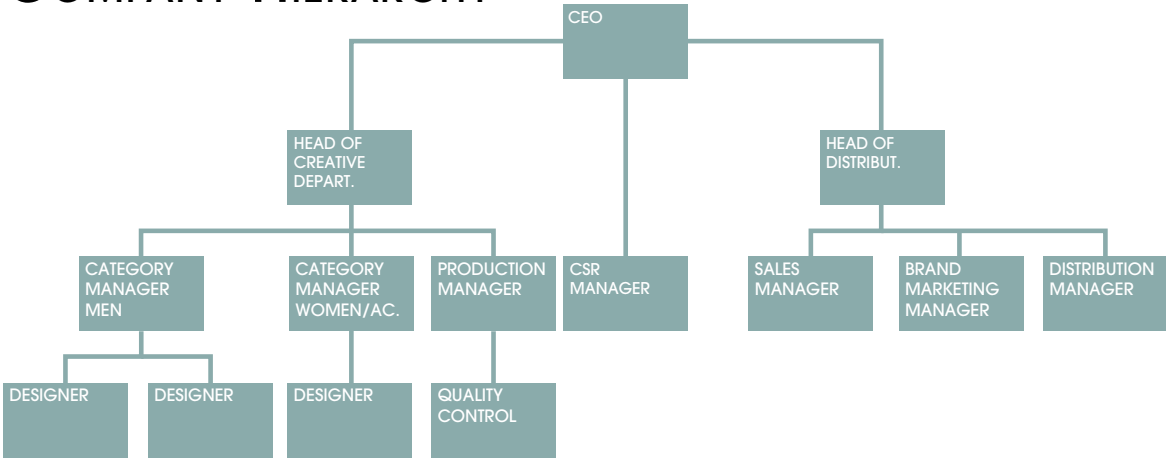
1.3. SOURCING DEPARTMENT STRUCTURE



Our “Head of Design” is responsible for the planning and the size of our collection. While the collection is being developed, he roughly determines what styles are to be produced by which suppliers. He prepares his development proposal in close cooperation with our CEO, who is responsible for the procurement of goods. Our CSR manager

is also involved in the final planning of the collection development. Together they discuss in which factories our different styles should be developed and later produced. In addition to taking into account our internal rating of factories, the progress made in implementing fair working conditions is also given due consideration.

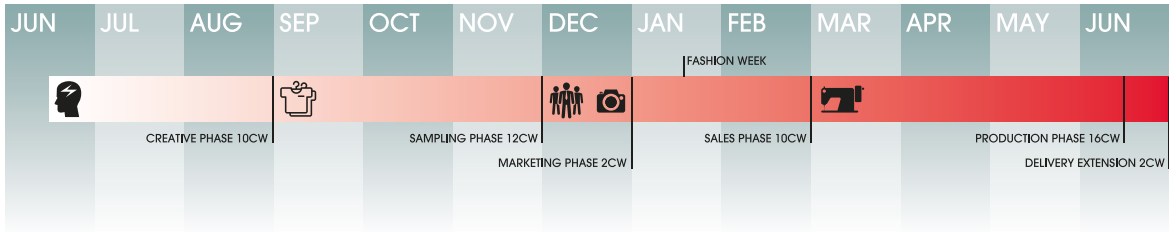
COMPANY HIERARCHY



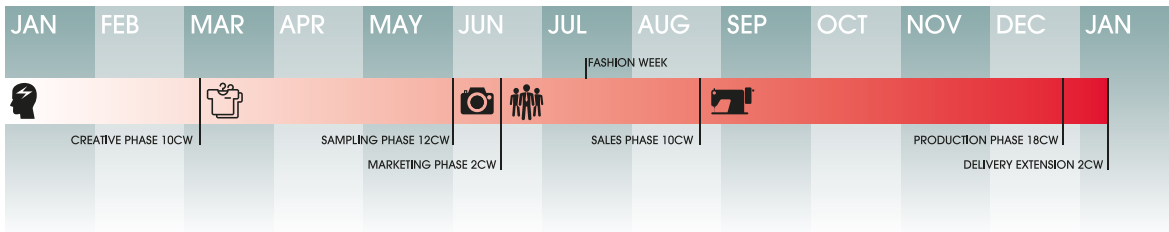
1.4. PRODUCTION CYCLE

Iriedaily launches two collections per year. The two main seasons are Spring/Summer (45%) and Fall/Winter (55%).

Fall/Winter Collection



Spring/Summer Collection



An intensive creative process marks the beginning of each collection. Our creative team invests extensive time and passion to interpret our “spirit” in a contemporary manner every six months. At the same time, our sales experience and directives from our CSR manager are also incorporated in the collection.

As soon as the framework of a collection is established, cooperation with the suppliers begins. During the creative process, fabrics are developed together with the suppliers and new techniques for production and finishing are tested. Currently, the main Spring/Summer and Fall/Winter collections each encompass around 250 styles. At the end of this phase, the final worksheets are

submitted to the producers and the sales samples are ordered.

A worksheet includes all information about a style such as cut, size table, color, material, other attributes and the finishing. With this information the producer is able to create a prototype.

In most cases, our designers are on site at the producer’s premises for the delivery of the worksheet. All details can then be discussed and clarified in face-to-face meetings and we can draw upon the experience of our partners in the realization of our designs.

In the ensuing “sampling phase”, our sup-

pliers procure all components to commence production of the first prototypes. With the help of the prototypes, we then check whether the models have been implemented correctly in a technical sense and whether our visions have been interpreted correctly.

These prototypes are then presented to our sales team and checked for their saleability. At this point, however, only small changes to the collection are possible, as our producers have already started to manufacture the sales samples.

The delivery of these samples then marks the start of our “sales phase”. Our representatives and distributors strive to obtain the pre-orders from our customers as early as possible. During this phase, however, the market dictates us a very clear time frame. Due to various milestones (e.g. trade fairs, etc.), retailers only submit their collection orders during this specific period.

At the end of this process, our purchasing manager analyzes the pre-order figures

and places the corresponding orders with our suppliers. In order to make production planning easier for our suppliers, it is not uncommon to provide details on the anticipated production volume so that they can already reserve production slots at the fabric suppliers.

In the production phase that now follows, many factors must be included in the planning process. The most important criterion for us is to guarantee fair working conditions.

The lead times for the procurement of the fabric and other materials play an important role, besides shipping times and the capacities of the producers. For this reason, the Purchasing Manager and CSR Manager jointly analyze the pre-orders and then define a delivery schedule with the supplier. If the pre-order volume exceeds the capacity of the earmarked producer, orders are passed on to other manufacturers who still

have free capacities. With this measure, we hope to prevent both the unauthorized transfer of contracts to subcontractors as well as the risk of staff incurring too many hours of overtime.

Many suppliers face the problem that the standard cycles in the fashion industry are the same for most fashion brands. This means that they must complete a large part of their production in a relatively short time frame. We are well aware of this conflict, yet we must also comply with the demands of the market.

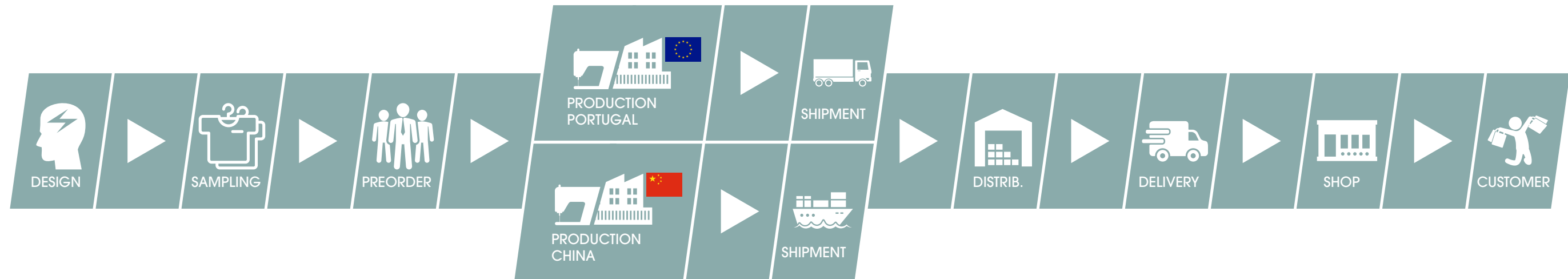
We seek individual solutions in this respect by means of intensive discussions with the management of our main suppliers.

One measure resulting from these talks was to bring forward the delivery of our pre-orders by two weeks. Especially smaller producers have shown that they have difficulties in delivering larger orders on one to three dates. In these cases, we have

switched over to accepting weekly deliveries. This helps the suppliers with financing and stretches out the production phase for them.

Another aspect that causes major problems for textile industry suppliers are late change requests within a style after production has already started. In order to avoid this situation, we hand out a “Recapitulation Sheet” to our partners for each style ordered as early as possible. It includes a summary of all information and possible changes.

Should a pre-production sample be necessary, we will have it prepared in order to guarantee a smooth workflow during the main production. Following this point, we do not permit our design team to make any further changes, therefore enabling the producer to commence series production. The production phase ends with the so-called Shipment Sample. This must be approved by our Quality Control Manager. If it complies with our quality standards, the supplier may initiate the dispatch to our warehouse.



1.5. SUPPLIER RELATIONS

The long-standing relationships that we enjoy with our suppliers are the cornerstone of our success. We have continuous business relationships spanning more than 10 years with our most important suppliers – and considerably more than 5 years with nearly all of them. We consider ourselves as partners to our suppliers and also feel to have a common sense of responsibility for them and their workers. That is why it is important for us that they too feel that they can rely on us as their business partner.

In the fashion industry it is particularly easy to obtain better prices for one or two seasons by changing suppliers in rapid succession. We have always rejected this practice as it not only results in fluctuating quality levels, it also leads to a mistrustful relationship with suppliers. The foundation of a successful, long-term business relationship is trust!

Only in these longer relationships does it become possible to establish and maintain close contact with our suppliers. When developing a collection with our designers or negotiating delivery periods and capacities, it is important to take into account the individual situation of the supplier and to understand any problems in order to be able to do business fairly and successfully.

One topic that we discussed very intensively with all suppliers was the issue of short production times. Our previous production window of approx. 13-14 calendar weeks + transport time in China, and 18 calendar weeks + transport time in Portugal, is common in the industry. However, as almost all fashion brands adhere to approximately the same deadlines, for our suppliers this means a high volume of work at peak times and, in

the worst case, idle time in between.

We have therefore spoken with each supplier to ascertain when they need their orders, how many deliveries they prefer, and which delivery dates are realistic for them. Naturally, depending on the country and size of the supplier, the wishes expressed were quite diverse. We could, however, identify a common desire to extend the production time window by two to three weeks.

In response to this, we consulted with all the departments in the Iriedaily office and looked for the best ways to implement this plan.

The easiest way to do this would have simply involved having our goods delivered to us later – by the two or three weeks desired. Unfortunately, this would have dealt us a substantial competitive disadvantage as the timeframe during which the products can be sold at full price is becoming ever shorter. Due to the pace at which reductions in price are made in the retail trade, our delivery dates must categorically be maintained.

We were therefore compelled to adjust our order period, which proved to be more difficult than anticipated.

First of all, this meant that our design team had to finish developing a collection two weeks earlier in order to receive the sales samples earlier. The next step was to convince our sales team to pre-schedule their order round. This turned out to be a lengthy process, as there are usual windows of opportunity in our industry for buyers to place their orders with brands.

Consequently, we informed our representatives at retreats and sales meetings in detail about the situation of our producers to convince them of the importance of this step.

It was also important for us to inform our representatives about the connection between fair working conditions, our responsibility towards our suppliers and the adjusted production periods.

Naturally, as a pre-order brand with two main collections annually, we are also aware that we cannot keep an entire production factory busy throughout the entire year. But even by taking such small steps a contribution can be made to often improve the work processes in the production facilities by a substantial margin, which ultimately also benefits the workers.

Portugal:

Ever since the Iriedaily brand was founded, we have been producing in Portugal. For the first ten years our complete collections were produced exclusively there, meanwhile about 42% of our production volume is manufactured there.

Due to the financial crisis, Portugal suffered a period of stagnation in wage levels lasting several years. Fortunately, however, in recent years there has been a continuous increase in the minimum wage. Even if this leads to a corresponding increase in our article prices as a logical consequence, we welcome this development.

China:

China is currently our strongest production country. Last year, 58% of our products were sourced from there. The country has developed at an incredible pace over the last ten years, but it has also undergone major changes. As a result, the standard of living has risen in recent years, especially in the urban centers. This has led to an increase in the cost of living. While wages have also increased, a discrepancy still remains between the statutory minimum wage and a living income. Although our producers often pay more than the minimum wage, improving the level of wages is one of our most important tasks there.

During discussions with our suppliers, we have learned that they have difficulties in finding new, motivated employees. Due to China's "one-child policy", which has been in place for years, there is now a shortage of young workers. We noticed this repeatedly during our factory visits, as we mostly encountered older workers. We have also learned that it is becoming progressively less attractive for young people to work in the textile industry.

1.6. INTEGRATION OF SOCIAL STANDARDS

After spending considerable energy and time in the first few years to identify all suppliers and their subcontractors, over the last two years we have visited and inspected all our factories and subcontractors. The aim was to inform the local management and workers about the Fairwear Foundation’s social standards. We ensured that the workers have access to the “Code of Labor Practices” and that they were also advised of the availability of the complaints hotline.

Last year, we increasingly visited suppliers who are involved in the manufacturing process (cut-make-trim process), but with whom we have no direct business relationship. The use of subcontractors is common practice in the textile industry as not all production steps can be carried out in the one single factory. Printing and dyeing operations are, for example, usually outsourced. But it is also possible for entire article groups to be outsourced due to special equipment and/or knowhow being required for their production, as in the case of accessories or knitwear, for example. For us, this outsourcing means that the risk of non-compliance with working standards increases within our supplier base, and we therefore need to know as fully as possible where our products are manufactured.

In 2019, we have again intensified our work on integrating social standards. In China, we continued to raise awareness of our FWF work through Work Place Education Programs (WEP). Our CSR Manager, Isaac, was also able to see how the FWF Code of Conduct is being implemented and the improvements in the respective factories during his visit. Isaac also had the opportunity to meet with workers’ representatives from each factory to see how the workers

perceive our efforts.

In October 2019, our CSR staff accompanied our key supplier, LuckyTop, to a training seminar in China. At the official FWF event, our producer received intensive training on the importance of living wages. As a result, LuckyTop agreed to work with us on this issue, so that by the end of 2019, we received all necessary information in order to pay our share of living wages to the workers.

We would like to organize further target-oriented training courses with our suppliers, but the political situation in China does not permit this. The Chinese government allows almost no NGOs to operate on its territory. As a result, the Fair Wear Foundation, which has been active there since 2005, operates under a different name. Fairwear Global Services is highly regulated and operates in a grey area, offering limited training services. This makes it difficult for us to provide continuous training for our producers.

A further sensitive issue is the establishment of workers’ representation. Although there is a trade union in China, it belongs to the Communist Party. A real workers’ representation should stand up for the rights of the workers and, if necessary, denounce grievances on behalf of everyone. We encourage all workers to exercise their right to freedom of assembly and collective bargaining. However, we cannot and do not want to impose such a burden on any worker, as there may potentially be reprisals in some factories.

This is why our cooperation with the FWF is so important, because we currently cannot do without the know-how and the technical requirements of our Chinese suppliers, but we want to guarantee the observance and implementation of fair labor practices.

In contrast to China, Portugal is a “low-risk country”. This means that compliance with applicable laws and the FWF Code of Conduct is very likely to be observed everywhere. As Portugal complies with labor and human rights, the need for training is reduced. For this reason, the FWF does not offer any training courses here. Nonetheless, we feel that it is not enough for us to simply check compliance with the standards. We also want to educate our workers about their rights and the benefits of producing for an FWF member.

During the summer of 2019, we worked intensively on how we can implement such training measures in Portugal. Our agency then introduced us to a provider that offers training in factories. Unfortunately, these courses last several days and would involve a tremendous amount of time and money for all parties involved. Due to the number of production facilities in Portugal, we decided against this option.

After consulting with the FWF, we invited a member of our agency to the FWF Member Day in Amsterdam in September 2019.

There, accompanied by our CSR Manager, she attended a training seminar for new FWF members, where she was informed about FWF work. Following this meeting, we informed FWF about our plans to train a member of our agency to act as a trainer in Portugal. In addition to her function as a trainer, she could also monitor the integration of social standards through regular factory visits. The responsible FWF employee welcomed our plans and relevant training documents were exchanged.

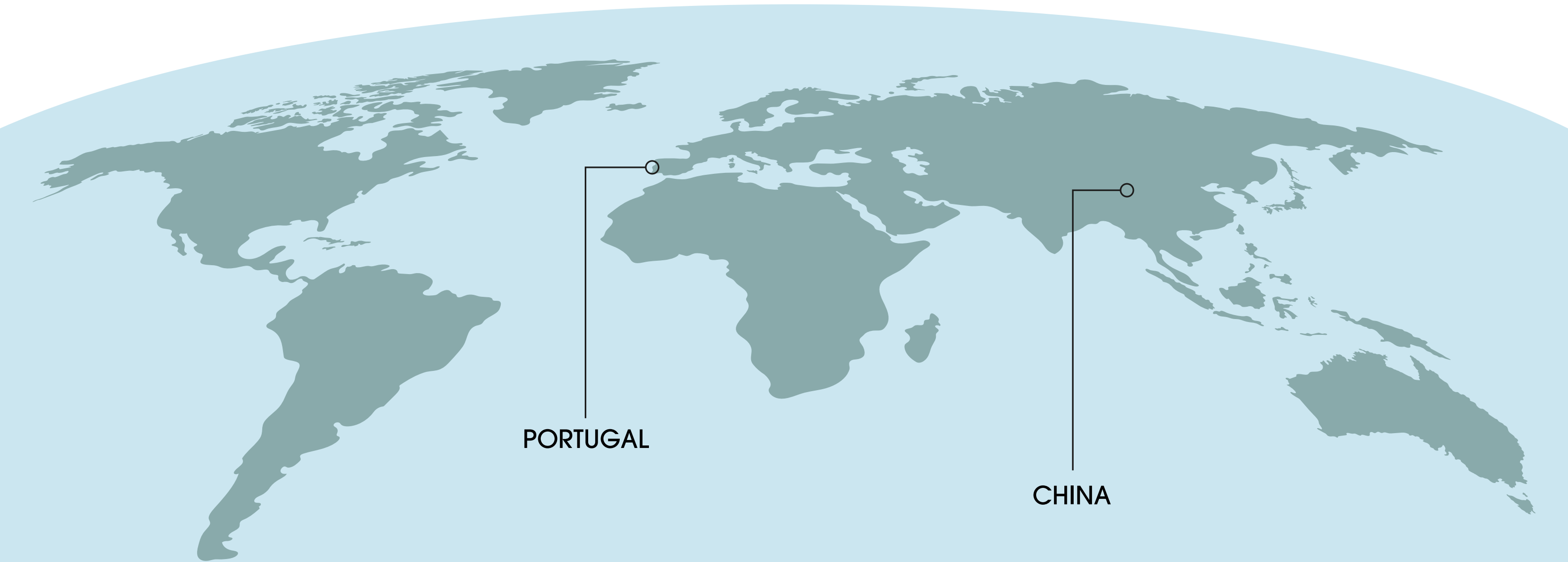
Towards the end of 2019, progress in our work stagnated somewhat owing to the FWF’s internal review of the further procedure. After receiving their okay, we are now in the process of developing a training concept that will also involve Portuguese trade unions and NGOs. The development process is taking place in close cooperation with the FWF, ensuring that all necessary training content is included.

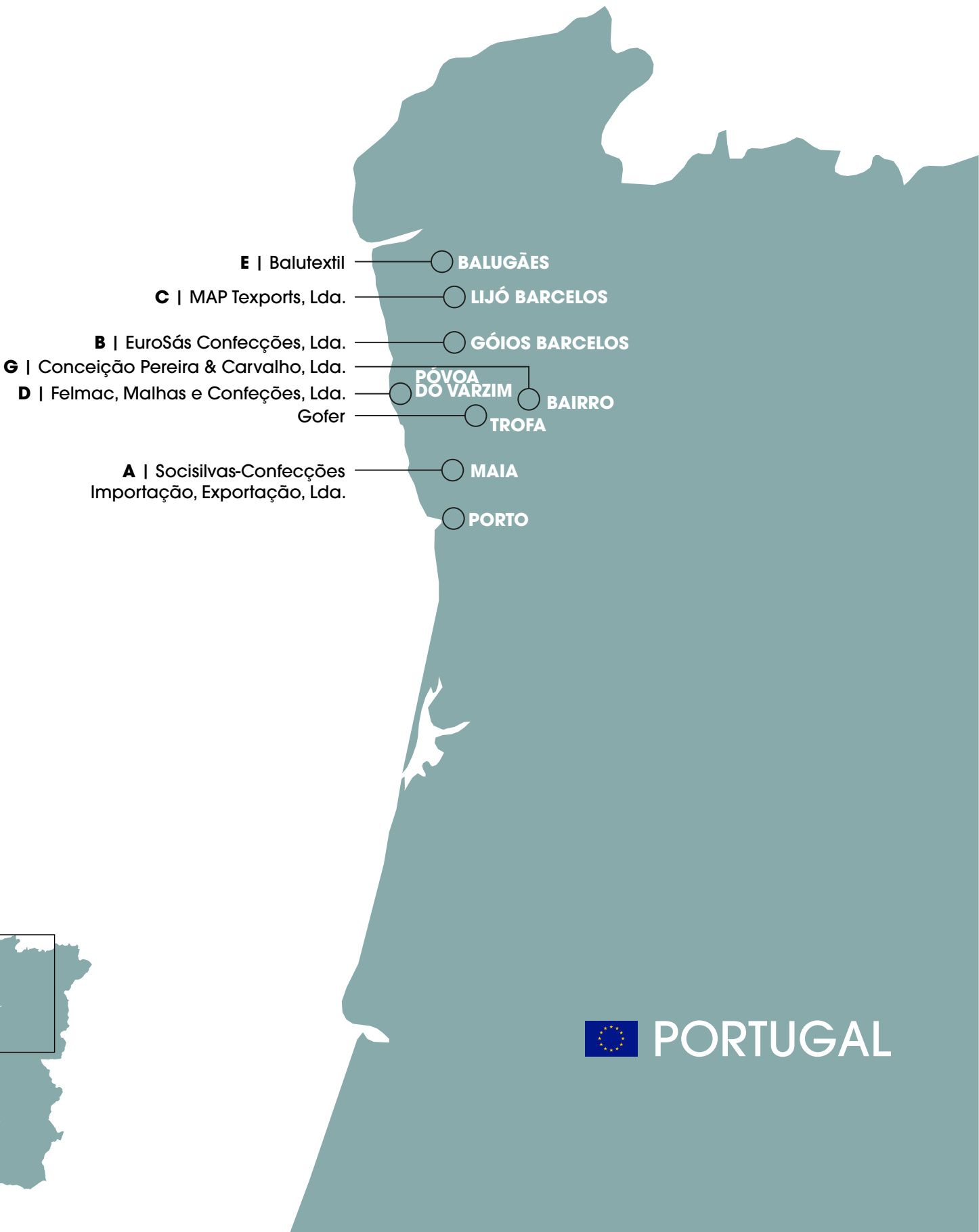
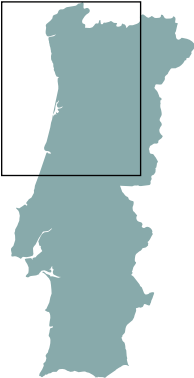
We plan to introduce the first training courses in Portugal in 2020, so that other FWF members can also make use of the newly developed program in the future.

2. PRODUCTION FACILITY REPORTS

PORTUGAL 
7 Supplier
13 Subcontractors

CHINA 
7 Supplier
9 Subcontractors





 PORTUGAL

2.1. PRODUCTION FACILITIES A-G / PORTUGAL

Portugal is where we first started producing our textiles. We have therefore been associated with our key manufacturers for over 20 years.

Our supplier structure in Portugal mainly consists of small, family-run businesses. They have existed for 20-30 years and are specialized in handling smaller orders. The workers are mostly locals from the surrounding area. The Portuguese laws on work safety are observed in all operations and payment of the minimum wage is guaranteed.

As usual in Portugal, the minimum wage is paid 14 times a year.

We have been together with a textile agency that represents our interests locally, for more than 24 years.

As our demands in the context of our FWF membership have become increasingly labor-intensive, we now have an employee at the agency who is increasingly involved in monitoring all FWF processes.

PRODUCTION FACILITY A / PORTUGAL SOCISILVAS CONFECÇÕES-IMPORTAÇÃO EXPORTAÇÃO, LDA.

This company has now been supplying us with T-shirts and sweatshirts for 20 years. It is a small, very well organized company, which is specialized in simple T-shirts or sweatshirt products. This year we could switch parts of our collection to organically grown cotton. Socisilvas has done an excellent job in the implementation. After extensive discussions with the owner in 2018, about an "open-costing system", in 2019 we received precise information about the production time of each of our styles. Together with the exact number of hours and the salaries paid, we are now able to quantify the direct labor costs of our articles. Only in this way can we ensure in our price negotiations that fair wages are ultimately paid.

sewing process. The company conducting this work is a typical Portuguese subcontractor and does most of the sewing work only for this producer. The company is located in a small building next to the owner's home and is family-run. With our regular visits, we make sure that all Portuguese labor laws and the usual work safety standards are observed and that all workers have access to the FWF's complaint hotline.

Since many years, we have changed our delivery system at this supplier to meet his needs. Previously, the supplier stored the finished goods until the first delivery date. By bringing forward the delivery window, our supplier now has the permission to deliver the finished goods to us immediately, even in the form of partial deliveries.

After we started monitoring the supply chain at the item level last year, we learned that this supplier has now largely outsourced the

This allows him a delivery period of three months, which greatly assists him in his planning. This means that he has virtually

no storage costs and a continuous flow of money with regular outgoing goods.

PRODUCTION FACILITY B / PORTUGAL EUROSÁS CONFECÇÕES, LDA.

We have worked with this supplier since the year 2000. However, following a merger with another supplier in 2011, it has since operated under a new name. It is a small, family-run business, located in a medium-sized two-floor building.

In recent years, this supplier has become our largest partner in Portugal. Here too, have we started to go deeper into the price structure of our items. After visiting the owner in autumn, we were able to convince him of a transparent price structure. He showed us his wage and work time statements which enabled us to determine his costs per working minute. Since we also received the exact production minutes for each work step in the production of our items, we are able to calculate the direct labor costs and include them in our price planning.

The majority of the workforce are married women who earn a little extra money as sewers, on a minimum wage basis. For this reason, there is generally very little interest in overtime being paid out, partly because the deductions for taxes and social security contributions increase disproportionately.

As is customary in Portugal, our supplier has outsourced part of the sewing process to a subcontractor, whom we also visited in 2018. The small factory with 18 employees is housed in a single-storey industrial building. During our visit there, we were greeted by a relaxed atmosphere and it was very clean. Brief conversations with the workers revealed that they know about the FWF and the CoLP, but that they do not attach much importance to the matter. For this reason, we started training an agent of our Portuguese agency on FWF topics in 2019, in order to organize FWF training courses for us in the near future.

We also visited the printing and embroidery subcontractor last year and checked the working conditions with the help of the Basic Health & Security Checklist.

The supplier is very happy with the development of our cooperation. He likes to take advantage of the early delivery windows, as they allow him to maintain a continuous work process and cash flow.

PRODUCTION FACILITY C / PORTUGAL MAP TEXPORTS, LDA.

Six years ago we started working with this supplier for our mid-season collection. In 2019, MAP Texports received a larger order volume to compensate for the loss of another producer. By monitoring our supply chain, we discovered that the supplier was handling the sampling, cutting and finishing process. The sewing process is outsourced to a small subcontractor with approximately 30 employees.

We conducted a visit to the subcontractor last year, checked the compliance with safety regulations and discussed the working conditions with the workers and management. We also distributed the FWF's "Worker Information Cards" there. During our visit, we were particularly struck by the warm and friendly atmosphere between the workers and owners.

PRODUCTION FACILITY D / PORTUGAL FELMAC

This is a relatively new supplier for Iriedaily. We commenced with a small program there in 2017. Our production volume has slowly but steadily increased over the past two years. The first contact made with this supplier was established by an employee of an insolvent supplier. She reported to us that some of the account managers, cutting experts and sewers affected by the insolvency had founded a new company. We find these own initiatives worthy of support, as Iriedaily itself also originated from a "do-it-yourself" spirit. 42 people are currently employed there. By means of the "Basic Health and Safety Check" we could assure ourselves of compliance with occupational health and safety requirements. The necessary "Worker Information Sheets" to inform about workers' rights were hung up in several places and clearly visible.

Last year, we spoke with management about the supply chain and the costs of

the pure manufacturing process (cut-make-trim). Here too, the sewing process is outsourced to another supplier for larger orders. The subcontractor is a very small company with eight employees. During our visit in 2018 we made sure that all workers have access to the complaint hotline and the "Worker Information Sheets". With the help of the "Basic Health and Safety Check" we also checked the health and safety standards there.

Management is aware of the "Code of Labor Practices" and could show us evidence that the legal minimum wage is paid. The printing company with which this supplier works was also visited in 2018. It had moved to a new building in that year. The new factory meets high safety and environmental standards and all local workers were informed about the "Code of Labor Practices".



PRODUCTION FACILITY E / PORTUGAL BALUTEXTIL

We have been working with Balutextil for more than 15 years, and have only a single style produced there. Due to our long-standing business relationship and the consistently good quality, we have one or two small programs per collection developed there.

The company is located in a modern building on two floors. The factory works very professionally and is accustomed to larger production runs. Located on the ground floor are the warehouse, the sections for samples, tailoring, sewing, and shipping, as well as the cafeteria and lounges. The

first floor of the company accommodates the administrative offices, including the accounting department, general administration and a very large showroom.

In 2015 the company underwent the "Sedex Members Ethical Trade Audit". The company complies with all health and safety standards, and the "Worker Information Sheet" is displayed prominently in several places.

PRODUCTION FACILITY F / PORTUGAL GOMES & FERNANDES BARBOSA, C.I.T., LDA, TROFA

Gomes & Fernandes Barbosa specializes in the production of socks and has been part of our supply chain since 2017. With approximately 50 employees, the factory is relatively large compared to our other suppliers in Portugal, especially considering that the production of socks has an almost fully automated manufacturing process.

The company is located in three halls in a commercial building. The legal requirements for occupational safety are clearly complied with, and the "Worker Information Sheets" are prominently displayed at several locations. Due to our small order volume, however, our influence is not particularly high.

PRODUCTION FACILITY G / PORTUGAL CONCEIÇÃO PEREIRA & CARVALHO, LDA.

CPC is a relatively new producer for us. In 2018 we started to develop the first products with this supplier. Before placing our first regular order in 2019, we first placed a small test order with this supplier in autumn

2018. Last year, the factory and all subcontractors involved in the production process were visited personally by our CEO and assessed with regard to FWF requirements.

PRODUCTION FACILITY INFORMATION OVERVIEW

Factory	Country	Supplier since	CoLP posted	Low risk origin	FOB Volume 2019	Complaints in 2019	Dates of Audit	Factory visit 2019
PORTUGAL								
A	Portugal	1996	yes	yes	14,54%	no	n.a.	yes
B	Portugal	2011	yes	yes	18,95%	no	n.a.	yes
C	Portugal	2013	yes	yes	4,83%	no	n.a.	no
D	Portugal	2017	yes	yes	1,55%	no	n.a.	no
E	Portugal	2000	yes	yes	0,66%	no	n.a.	yes
F	Portugal	2017	yes	yes	0,22%	no	n.a.	yes
G	Portugal	2018	yes	yes	1,51%	no	n.a.	yes



2.2. PRODUCTION FACILITIES A-G / CHINA

More than ten years ago, we relocated a part of our production to China. For us, this represented a major step which involved growth and also entailed a great deal of responsibility.

While China remains a difficult country in political matters, we are witnessing rapid change and growth – also in areas including social issues, environmental concerns and associated regulations. That is why we believe in our suppliers there and strive to develop long-term, trusting business relationships with them. We are very much aware that we have to play our part if we want to make a difference, which is why we are constantly working to improve the local working conditions on site.

In 2019, we conducted an audit and two “Workplace Education Programs” (WEP) there together with the FWF.

The audit revealed violations of the “Code of Labor Practices” (CoLP), for which we immediately issued warnings. The breaches included failures to pay living wages, to observe reasonable working hours and some minor violations of safe and healthy working conditions.

Unfortunately, the basic understanding of workers’ rights in China is not comparable to that in Europe. Occupational health and safety rules are often perceived as a bothersome duty and nuisance by management and workers alike.

As a result, no time was wasted and the workers and management underwent FWF training in the very same year. We will also continue to intensify our efforts in this regard.

In 2019 we were able to achieve the first milestone in the payment of living wages, but this issue is likely to occupy us for the next few years.

PRODUCTION FACILITY A / CHINA JIANGSU LUCKYTOP GARMENT CO., LTD.

We have been working very well with this supplier since 2008. Due to the high willingness to cooperate and to work continuously on the improvement of working conditions, Jiangsu Lucky Top has become our most important supplier.

It has a large office in Shenzhen. Here, the management, customer service, cut development specialists as well as a small sewing station for the production of sample collections, are located over three floors. The actual factory is located in the province of Jiangsu, west of Shanghai.

In 2018, the factory relocated to a new building within the old grounds. There, cutting, production and finishing for conventional production are performed on two floors. In addition, this factory has set up its own floor for the production of organically grown cotton.

During his visit, in October 2019, our CSR manager had the opportunity to talk with factory workers about their well-being. However, due to the language barrier, everything needed translating. As a result, the answers were generally rather reserved and brief. In conversation with the workers' representative, who is elected by the factory workers for two years, we learned that they have noticed how working conditions have improved since our involvement with the FWF began. Every 1-2 months, he and management discuss current issues that concern the workers.

In November 2018, we conducted an audit at this factory together with another FWF brand. Based on the documentation and discussions with workers and management, a local audit team revealed the following:

There were no violations contravening the right to a free choice of work, no discrimination in the workplace, no exploitation through child labor and only legally binding employment relationships were found. It was also very encouraging to learn that all workers surveyed knew about the "Code of Labor Practices" (CoLP).

With respect to the right to freedom of assembly and collective bargaining, it was noted that although there is a works council, it does not assume its responsibilities towards management. Likewise, workers are not fully aware of their rights to freedom of assembly.

We will therefore be conducting a "Workplace Education Program" (WEP) at this factory again this year to inform workers of their rights.

But perhaps the most important issue is the payment of living wages. While visiting the company in October 2019, our CSR manager had intensive discussions with the management regarding this topic. During his visit, workers were also asked by means of a "Living Wage Survey" how much they need, depending on their family situation, to lead a comfortable life. These results were evaluated to find out how much more the workers would have to earn to have enough to survive without overtime. Due to the differing and hard-to-compare results, we decided to use the highest benchmark recognized by the FWF. For this purpose, we are orienting ourselves on the Asia Floor Wage.

Thanks to our long-standing, close and trusting business relationship, we have been able to ensure that more information is passed on to us in this regard. At the end

of last year we received all pay slips, attendance lists and details of the working minutes for each style. With this information we were able to calculate our share of a living wage (Asia Floor Wage). The bonus, which was calculated individually for each worker, was paid for the 20-2 production before Chinese New Year. This was a major success and only the first step to guarantee a fair wage in the future. As the project has, in our opinion, got off to a very good start, it strengthens our commitment to establish this in other factories as well.

It is also important to mention that all workers are paid far above the legal minimum wage. On average, the workers earn about 30% more than elsewhere. Even the lowest paid worker earns on average some 20% more than comparable workers in other factories.

A negative aspect, however, is the development of overtime. While the number of overtime hours declined in the years 2013 to 2016, they rose again in 2018. This was a serious development, which we, together with the factory, got to the root of. The main reasons cited by management were delays in material deliveries and

the shortage of workers. We analyzed this further and as a first immediate measure we extended our delivery window by two weeks. The earlier submission of orders also helped management to plan production capacity utilization optimally, since materials could be purchased earlier.

In the current year, we were informed early on that production would commence later due to the coronavirus. As a result, the start of production will be postponed and bottlenecks may occur. We are in close contact with management and are prepared to adjust our workflow to avoid excessive overtime or the outsourcing of production to other, non-FWF-audited factories. At the time of writing, the situation was changing very fast with the direction of developments still being unclear.

In addition, by means of the "Corrective Action Plan" (CAP), in which all failures and deficiencies are recorded after an audit, our CSR manager has reviewed whether these shortcomings have been remedied. He was convinced of the improvements and was satisfied with the progress.

PRODUCTION FACILITY B / CHINA JIANGYIN CHENGFENG GARMENT FACTORY

Jiangyin Chengfeng is a subcontractor of Lucky Top, covering the complete Cut-Make-Trim range.

As another FWF member is producing in this company, we jointly arranged an audit there in 2017 via the FWF. Unlike Jiangsu Lucky Top, the "lead", i.e. the responsibility for the further processing of complaints, was taken over by another FWF member that also produces there. In 2018, we instructed both workers and management about their rights and FWF requirements by means of a

"Workplace Education Program" (WEP). Approximately 48 workers are employed in the factory, most of whom come from the neighborhood. During our visit, we also noticed that an above average number of pensioners are employed in this factory. The audit from 2017 showed that there are some workers who were paid below the legal minimum wage at that time. According to the management, these are pensioners from the surrounding area who did not earn the minimum wage due to their slow



working methods. Management has now guaranteed to discontinue this practice. The audit of 2017 showed that there are some workers who were paid below the legal minimum wage at that time. The management explained that these were pensioners from the surrounding area who did not receive the minimum wage due to their slow work. When our CSR manager visited the factory again in October last year, he was given documents and pay slips rather reluctantly.

PRODUCTION FACILITY C / CHINA

JING QI SHI JIA

Similar to the situation with the Chengfeng production facility, this factory is also a subcontractor for our supplier Lucky Top International Trading Limited.

The family business employs about 10 people and produces accessories such as wallets, backpacks and belts for us. The factory is located in Guangdong province on an industrial estate and was audited by the FWF in May 2019.

As a result, we learned that since moving to the new production facility in 2018, the factory has employed a subcontractor for all prints on bags. However, this was only a complaint from the FWF following the factory audit. The workers were unaware of the workers' rights and the working hours were not documented with a time recording system as required. Also, the workers did not receive pay slips and at peak times worked between 60-70 hours a week. Further minor grievances regarding work safety were also reported.

During the factory visit of our CSR Manager in October 2019, together with the owner

Unfortunately, the factory was not willing to cooperate to the extent we would have liked.

Unfortunately, the factory is far from paying living wages.

In order to improve working conditions and wages, a FWF Verification Audit is scheduled for 2020. After the complete audit of the factory and the documents, we will decide how to proceed with the supplier.

and representatives of our supplier Lucky-Top, all complaints were reviewed and discussed.

There has been some progress in terms of occupational safety, but no improvements were made to the essential requirements. For example, the attendance lists had not been filled in by the workers and overtime was not correctly recorded. As a result, the factory owner was given clear conditions, the non-observance of which would have serious consequences. We are currently continuing to improve the working conditions in the factory and our CSR manager will check this personally during his next visit.

After expressing our dissatisfaction with the communication and working conditions in the factory, the subcontractor was visited.

As the printing process was outsourced, an inspection of the factory was essential. The circumstances and willingness to cooperate there were unsatisfactory. Therefore, our design team was briefed to refrain from printing on accessories to avoid cooperation with this subcontractor.

PRODUCTION FACILITY D / CHINA

HUI TENG

This factory, which is specialized in the production of knitwear, is also a subcontractor of our supplier Lucky Top. The factory is located in an industrial estate in the city of Dongguan in southern China. The factory is situated on the second floor of a building and has various rooms for the individual production steps. As the knit-

ting process is very noisy, the large knitting machines are located in separate rooms. Workers were informed of their rights via the "Worker Information Sheet", and the "Basic Health and Safety Check" helped to verify that the minimum requirements for work safety were being met.

PRODUCTION FACILITY E / CHINA

YONG TAI HUA GARMENT FACTORY

This producer is owned by another supplier. After the 2017 audit, we were able to improve on many of the complaints, thanks to the very cooperative approach of the management.

All workers receive more than the minimum wage. Overtime and bonuses are also paid correctly. This is a big step forward, although the goal of living wages has not yet been reached. As soon as we have developed a functioning payment system, we will pay our share in this factory, too. However, as the management is a different supplier, this means that we will again have difficult negotiations regarding open-costing and transparency in order to establish exactly

how much we have to contribute.

We implemented a Workplace Education Program (WEP) in April 2018. Under this program, 40% of workers and 30% of management were informed about the „Code of Labor Practices“ (CoLP), the FWF complaints mechanism and about possibilities for improving working conditions.

Another audit is planned for 2020 to monitor the current status of the improvements in working conditions.

During his visit in October 2019, our CSR manager checked the conditions in the company and has already given initial indications concerning the next steps towards living wages.

PRODUCTION FACILITY F / CHINA

JIANGSU ASIAN SOURCING HEADWEAR MFG. CO., LTD.

In terms of their total production volume, we only have very little influence on this manufacturer: it is a very large factory with around 1000 workers. The supplier is specia-

lized in the production of headwear.

As several FWF members are active in this factory, the members act together as a team with one contact person who takes

the lead for this.

At the beginning of 2019, our CSR manager assumed this task and has since been responsible for the work and communication between the members and the supplier. Following an FWF Verification Audit in May 2019, our CSR Manager visited the factory in October of the same year. During this visit, he checked to see if the manufacturer had retrofitted its smoke detectors as required by the FWF’s CAP and was complying with health and safety standards.

Due to the size and the loudness of the machinery in use, it was necessary to equip the fire detectors with an audio-visual alarm signal. The factory is very well organized and tidy, so there were no further complaints concerning the factory.

On the subject of living wages, however, we cannot expect to make any progress

with this producer because of our minimal influence. However, as the wage level is far above the legal minimum wage, there is no great urgency there. This has been agreed with the other member brands that also produce at this site.

Shortly before our CSR Manager went on his business trip in October 2019, the FWF reported that a complaint had been received from a worker via the official FWF complaints hotline. During his visit, Isaac had management explain the situation to him again. Thanks to the worker’s compliance and the payment of a severance package, our supplier Asian Sourcing was able to resolve the complaint. Detailed information regarding the circumstances of the case will follow in the “Complaint Management” section, below.

PRODUCTION FACILITY G / CHINA

KAIPING LIANWANG CLOTHING CO., LTD.

This factory was added to our supply chain in 2019 and is located in Guangdong province. The Success Team agency is based in Hong Kong, which is why we were unable to schedule a visit last year for our CSR activities due to the massive protests taking place at that time. However, some of our design teams conducted on-site visits to the factories and conducted the FWF Health & Safety Check.

Last year we terminated the working relationship with a supplier after a refusal

to improve the working conditions in the factory. We therefore chose to entrust the production of trousers to this supplier. As another FWF member had previously audited the supplier, we were able to obtain a BSCI report before we started working with the producer. Since the factory was completely renovated and renewed in August 2019 after a change of ownership, we have planned to conduct an FWF audit there this year.

PRODUCTION FACILITY INFORMATION OVERVIEW

Factory	Country	Supplier since	CoLP posted	Low risk origin	FOB Volume 2019	Complaints in 2019	Dates of Audit	Factory visit 2019
CHINA								
A	China	2008	yes	no	32,11%	no	2018	yes
B	China	2018	yes	no	7,31%	no	2017	yes
C	China	2010	yes	no	3,07%	no	2019	yes
D	China	2010	yes	no	0,91%	no		no
E	China	2011	yes	no	9,77%	no	2020	yes
F	China	2009	yes	no	3,69%	yes	2020	yes
G	China	2019	yes	no	0,88%	no	2020	no

2.3. EXTERNAL PRODUCTION

We have no external production facilities.



3. COMPLAINTS MANAGEMENT

The FWF offers a complaint system, which includes a complaint hotline for all our production countries. Workers can call this hotline anonymously and talk to a local representative in their respective local language. This complaint hotline number is printed on the Worker Information Sheets that inform workers about their rights and every supplier is obliged to post it in a public area of the factory.

If a "Worker Education Program" (WEP) is held at a supplier, special attention is then also drawn to the complaint hotline and the workers are encouraged to make use of it, if required. As soon as a complaint is received via the hotline, the FWF forwards the complaint to the member. The member brand is then obliged to contact the factory and clarify the situation. The most important thing is to check if the complaint could be a result of, for example, poor or too tight

production planning from our side, or if it is something that is within the factory's responsibility. Either way, we endeavor to solve the problems together with the factory management and will find out what has led to the complaint.

It is particularly important to clarify whether the complaint relates directly to us due to poor or too tightly timed production planning or whether it is the responsibility of the factory management. In either case, we will then try to tackle the problem together with the factory management and determine what has led to the complaint. In consultation with the FWF, we will then decide on corrective measures and monitor their implementation. The FWF will then review and publish the steps taken to resolve the complaint.

Complaints Received 2019:

On September 24, 2019, the FWF informed us of a complaint received from a worker at our Asian Sourcing production facility. All our caps and hats are produced in this factory. As other FWF members also work with this supplier, we bundle our work with this producer. Our CSR manager has been the „lead“ for this factory since last year. This means that he takes care of all FWF issues on behalf of all FWF members.

The employee complained that, as an electrician, he was also required to carry out painting and maintenance tasks and that, among other things, he felt he was being treated unfairly. Furthermore, unlike his colleagues, he was not allowed to work overtime, which is why he was being paid less. This led him to believe that the factory wanted to get rid of him.

After raising this issue twice in the HR department, he felt that he was being treated even worse than before.

On September 20, 2019, he was then removed from the factory premises after he illegally took photos and made audio recordings of his work colleagues while at work.

By lodging his complaint, the worker hoped to obtain clarification as to why he should perform work that was not covered by his employment contract. He also demanded that Asian Sourcing adhere to the legal procedure for terminating his employment and pay him all wages due and severance pay.

After receiving the official complaint from the Fair Wear Foundation, it was now up to our CSR Manager, who had taken the lead on behalf of all FWF members, to obtain a statement from the supplier.

Our supplier refuted the accusations that the worker had to carry out painting work,

as there had been no such work there recently. Other maintenance work was carried out, but the worker was not involved in this. In comparison with his electrician colleagues, he earned about the same. The reason why he was not allowed to work overtime was that due to the trade war with the USA, production had decreased and therefore also the volume of work. Furthermore, management also informed us that the worker, contrary to what was stated in the complaint, no longer performed his work conscientiously.

Although the worker had consulted with the human resources department twice, management described a completely different sequence of events to us. In the first meeting he demanded that he be dismissed and insisted that he be compensated for this. His supervisor rejected this proposal and urged him to continue to work normally. During his second meeting with HR, the worker made a clear threat. If his demands were not met, he would complain via the FWF hotline.

As Asian Sourcing did not have any intention of being extorted, the official FWF Complaint Hotline was used to lodge the complaint.

Our CSR manager used his factory visit in October 2019 to establish his own opinion on the matter. To begin, he needed to gain an unbiased picture of the situation. The complete set of facts was explained to him and he compared the different versions of the two parties.

In the course of the discussions with management, he received further information that the worker was apparently in poor health. This information was conveyed to management by the complainant's superior. The supervisor had learned this in a private conversation with the worker, as they also happen to be

neighbors. The new information, from this independent source, appeared to be plausible and credible to both Asian Sourcing and our CSR manager. The worker, feels unfit for work and would like to leave the factory to accelerate his recovery. In order to receive unemployment benefits, however, the employer has to terminate the contract, which is why, untypical for a factory worker, he refused to work or performed his work with a lack of motivation.

Our CSR manager was able to reach agreement with management that the worker's story should be trusted and that the situation should not be made unnecessarily more complicated. The management expressed their sympathy for the worker and therefore paved the way for a legal dismissal. Isaac has made arrangements for all documents relating to this matter to be forwarded to us so that we can verify their accuracy. It was agreed that the worker will receive

severance pay and be compensated for all hours worked. Documentation relating to the payment has been forwarded to us. Asian Sourcing has complied with all agreements, so that the FWF has classified the complaint as being "resolved" after examining the facts of the case.

All publicly available information on this complaint can be found on the FWF homepage at: <https://www.fairwear.org/programmes/complaints/engelbert-strauss-gmbh-co-kg-jack-wolfskin-lk-international-ag-kjus-mammut-sports-group-ag-odlo-international-ag-schoffel-sportbekleidung-gmbh-vaude-sport-gmbh-co-kg-w-a-r-d-gm>

Another complaint from the end of 2016 is still not completely resolved. In order to clarify this matter conclusively, a further Verification Audit was conducted there in 2019.





4. TRAINING & SUPPORT FOR SELF-HELP

4.1. ACTIVITIES TO INFORM STAFF MEMBERS

In 2019 we continued to strengthen our team and train colleagues in the importance of fair working conditions in the textile industry. A main area of focus was on developing a deeper understanding of our supply chain. For this purpose, we have created an internal ranking of our suppliers, which gives every employee involved in the process the opportunity to see and compare the quality of our production facilities in relation to workers' rights, at a glance.

A further emphasis was placed on the training of our design team. The colleagues are often on site and have the opportunity to visit the showrooms and the factories. To this end, we discussed the "Basic Health and Safety Check" with them and explained, using examples, what they need to look out for during their visits.

Due to our switch to sustainable materials, 2019 was marked by a multitude of innovations and information that had to be

communicated to all our employees.

As part of the semi-annual retreat with our representatives, our CSR manager provided information on the current status of our measures, their progress and the objectives we have set. At management level, there is ongoing dialogue between our CSR manager and CEO.

4.2. ACTIVITIES TO INFORM AGENTS

Agents are the interface between Iriedaily, our general agency in Portugal, three agencies in China and the factories where we produce.

All agents have been informed about our FWF membership and the associated processes, practices and the "Code of Labor Practices" (CoLP). Our CSR manager works closely with product development, and keeps us informed of the latest FWF updates and factory visits. FWF issues are

discussed with them on a regular basis, especially during business trips. They also support us on site, through their involvement in FWF audits and "Workplace Education Program" (WEP), which provide training for workers.

Agents generally assume a mediator position and assist us in the communicative and concrete implementation of FWF requirements at a national level. They are therefore indispensable in the implementation of corrective measures following factory audits and help us to actively improve labor standards. Our agents also conduct regular factory visits and accompany our CEO or CRS manager on their business trips.

4.3. ACTIVITIES TO INFORM WORKERS

The FWF code is the basis for sustainable cooperation with our suppliers. The guidelines, also known as the "Code of Labor Practices" (CoLP), inform workers and management about their labor rights.

We ensure that information sheets, so-called "Worker Information Sheets", are hung up and displayed in central locations in all factories before the first production starts, in order to raise the general awareness of our work towards fairer working conditions. We ensure that the labor standards are observed and that the information is displayed by means of personal inspections on site and photos.

It goes without saying that both existing and potential new suppliers must support the FWF CoLP guidelines. If this is not the case, our business relationship cannot continue.

In order to create ongoing awareness among workers, we conduct internal factory training sessions, so-called WEPs, in cooperation with the FWF. The training courses deal with different topics depend-

ding on the country. For example, workers are taught about the independent complaints system and the benefits of the FWF's work. To provide training for as many employees as possible, such sessions are held at regular intervals.

Naturally, we strive to talk to the workers personally during our visits, so that we can gain a better picture of the working atmosphere on site. However, we must repeatedly note that the workers are often reluctant to talk to the "clients" of their bosses. We respect this and therefore do our utmost to create sufficient alternative channels through which they can express their needs and problems anonymously (e.g. through the aforementioned complaint hotline).

In addition to the "Worker Information Sheets", we also distribute "Worker Information Cards" which contain information about the FWF Code of Conduct as well as details regarding the local complaints mechanism.

In order to ensure that every employee is informed, we also instruct the workers' representatives chosen by the workers, enabling them to provide further information if questions arise.

5. INFORMATION MANAGEMENT

The key to a long-term partnership with our suppliers is transparency. That is why we collect all relevant information from our factories, such as the number of workers, the factory workload, work processes carried out in the company and subcontractors.

All data obtained is kept in a special supplier register, in which we also record whether there have been complaints or, for example, an audit is planned. After an audit, a Corrective Action Plan is drawn up (plan of remedies), in which we record the individual points to be worked through and also document the step-by-step improvements at the respective location in detail. Based on this document, we engage in dialogue with the producers concerned. We have now set up a database for our supply chain in which all communication and measures are documented. It enables us to maintain a better overview of the supply chain – especially helping us to understand on a product level from which supplier and subcontractor each product comes from. This means that we know exactly whether a subcontractor is engaged by suppliers for the production of a certain item and can decide before the collection is handed in, at which producer we will have what items made.



6. TRANSPARENCY & COMMUNICATION

Transparency is the basis for trust. This not only applies to our business relationships with our suppliers, but also to our communication with our end customers.

General information about our FWF membership, as well as our progress in improving labor standards, can be found in our annual Social Report and the Brand Performance Check report. These documents are freely available to everyone on our website, as well as on the official FWF homepage.

Further information about the organization and its work can also be found at www.fairwear.org.

For 2020, we are planning a new sustainability blog in which we will regularly communicate our work and the progress we are making in implementing the FWF Code of Conduct.

Furthermore, following the amendment of the FWF Transparency Policy in 2019, we have decided to disclose all our production sites. Although we have the option of delaying the publication of this information during the transitional phase, we have decided to provide full transparency immediately. After intensive discussions with our suppliers, we were able to ensure that all factories agreed to publish their contact details. We have obtained confirmation of this from all suppliers by means of a Disclosure Agreement.

This gives us the opportunity to achieve even more transparency for our customers. With the publication of our SS2020 collection on our website, it is now technically and legally possible for us to indicate exactly where and in which factory each item was manufactured. This information is visible for everyone beside the product description.

We have integrated a "Responsibility" subpage on our website. Here, we provide information on our brand philosophy, our production countries, the manufacture of our products, CSR measures and, in particular, our FWF membership.

The "Social Report" and the "Brand Performance Check" are also available as pdf downloads.

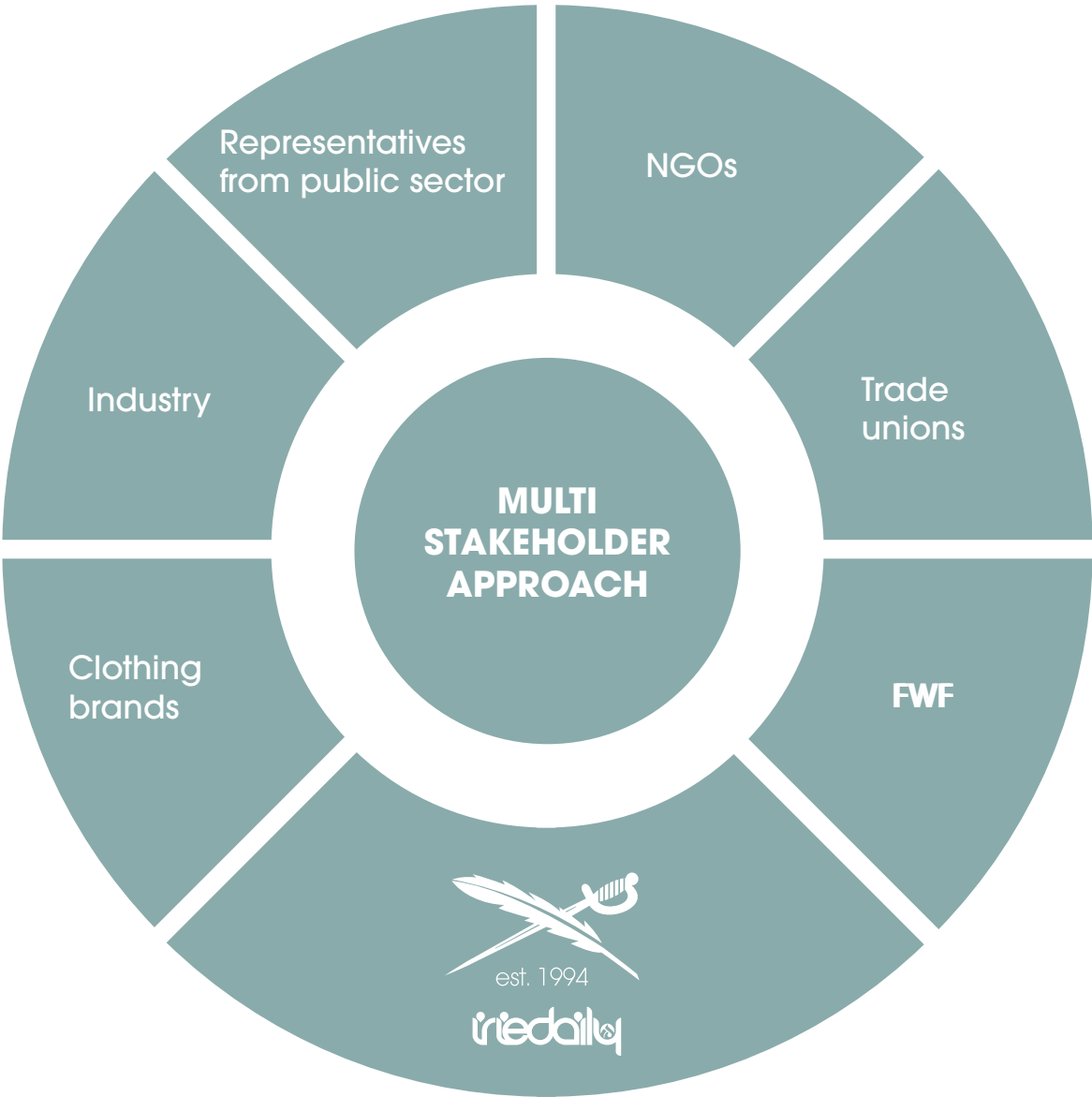
<https://www.riedaily.de/responsibility/>

Extracts of the "Social Report 2018" were also distributed via social networks and our newsletter, in both English and German.

7. STAKEHOLDER ENGAGEMENT

We are currently focusing on our FWF membership and are delighted to be working with the Fair Wear Foundation. Thanks to the resources provided, such as country studies, health/safety checklists, templates and other tools, we are able to continuously educate ourselves and improve our work to ensuring fairer working conditions in all our factories.

The external input from various stakeholders is extremely valuable and helpful in implementing best practices throughout our supply chain. FWF regularly organizes stakeholder meetings with representatives from the public sector, NGOs, trade unions and industry. At these meetings, our CEO and CSR manager discuss current issues with their peers, present insights and successes, and constructively explore how the major challenges facing our industry can best be tackled.



8. CORPORATE SOCIAL RESPONSIBILITY

As a company based in the Kreuzberg district of Berlin, we also assume social responsibility in other ways. In addition to supporting sponsoring, we are also actively involved in various local projects.

For the Hansa 07 football club we produced a jersey that speaks out against racism.

<http://hansa07.de/fans-freunde/fanshop/>

During a campaign period from late August to early September, we donated 10% of the value of all orders in our online shop to Tropical Forest Foundation OroVerde (Spanish for "Green Gold"). We decided to donate the money directly to plant tree seedlings and to create forest gardens. With our campaign, we have helped to plant 2000 new trees & establish 2.5 hectares of forest gardens.

<https://www.riedaily.de/blog/oroverde/>

And to coincide with "Black Friday", we decided to stage a "Green Weekend" where 20% of the total turnover in the online shop and brand stores in Berlin and Vienna was donated to OroVerde.

<https://www.riedaily.de/blog/no-black-friday-its-green-weekend/>

All these projects are regularly supported by us in the form of monetary contributions or clothing donations.

Some of the projects we support are also relatively small and more discreet. For example, we donate winter jackets to homeless people, send clothing donations directly to an aid organization for Nepalese school children (<https://kenkmannfond.de/>), and also support a private project of Berlin-based photographer Daniel Reiter, who supplies clothing and skateboard hardware to assist young skateboarders in Addis Ababa, Ethiopia. (<http://danielreiter.de/ethiopiaskate>)

Monetary donations have also been made to support the following organizations, among others, in their work:

- Amnesty International - <https://www.amnesty.de>
- Ärzte ohne Grenzen e.V. - <https://www.aerzte-ohne-grenzen.de>
- S.C. Berliner Amateure Jugend - <http://berlineramateure.de>
- Drop In e.V. - <http://www.dropin-ev.de>
- Opferperspektive e.V. - <http://www.opferperspektive.de>
- Skateistan - <https://www.skateistan.org>
- Stiftung Hof Grüneberg - <https://www.hof-grueneberg.de>
- Zukunftsstiftung Landwirtschaft - <https://www.zukunftsstiftung-landwirtschaft.de>



**Stark wie
ein Baum!**



Als Baumpate doppelt Gutes tun!

- Helfen Sie Familien mit einem schwer erkrankten Kind oder Jugendlichen
- Unterstützen Sie gleichzeitig ein wichtiges Naturschutzprojekt



Caritasverband für das
Erzbistum Berlin e.V.



„Stark wie ein Baum!“
ist ein Gemeinschaftsprojekt des Caritas-Kinderhospiz-
dienstes und der Stiftung Hof Grüneberg.

**GREEN WEEKEND
BLACK FRIDAY**

BLACK FRIDAY = GREEN WEEKEND!

Bei uns wird der Black Friday zum Green Weekend!

In den Zeiten wo Nachhaltigkeit, Klimaschutz und Slow Fashion immer wichtiger werden, haben wir uns dazu entschieden uns nicht an den großen Black Friday und Cyber Monday Sales zu beteiligen. Stattdessen spenden wir 20% des gesamten Umsatzes, der an unserem Green Weekend* im Onlineshop und in den Brand Stores in Berlin und Wien erzielt wird, an OroVerde!

OroVerde und die Projekte

Die Tropenwaldstiftung

OroVerde (spanisch für „Grünes Gold“) setzt sich aktiv für den Erhalt der tropischen Regenwälder ein. Zusammen mit den Menschen vor Ort erarbeiten sie langfristige Schutzprojekte. Außerdem setzt OroVerde mit Verbrauchertipps und Bildungsprojekten auch in Deutschland an.

***Die Aktion findet vom 29.11.19 bis einschließlich 02.12.19 statt.**

9. GLOSSARY

Audit:

The following definition of an audit applies to those audits that are being conducted by the Fair Wear Foundation:

While company commitments to ethical practices are important, such claims usually only gain credibility when verified by a third party. This is where FWF comes in. FWF’s multi-stakeholder make-up means that it is independent and credible. People have a right to know under what circumstances their clothes are made. FWF verifies whether companies comply with the Code of Labour Practices, through factory audits and a complaints procedure, through management system audits at the affiliates and through extensive stakeholder consultation in production countries. FWF shares its knowledge and (local) contacts with the member companies, providing them with access to information on local legislation, labor standards and culture. In order to gain real insight into company performance, FWF’s verification system exists at three levels: FWF verifies at factory level and implements a complaints procedure in all countries where it is active to serve as a safety net. Finally, FWF also verifies at the company level to check whether companies implement the FWF Code of Labour Practices in their management systems effectively.

Verification at factory level: FWF is perhaps best known for its unique and groundbreaking approach to factory-level verification. This is due largely to FWF’s multi-specialist approach to auditing. The rigor of FWF’s auditing process is evident in the higher quality of its outcomes. FWF finds that managers are generally more open to collaboration and workplace improvements if audits are announced. Pre-planning audits also ensures that appropriate managers and documents are accessible on the days of the audit. What’s more, FWF’s practice of interviewing workers offsite prior to visiting factories generally addresses the common pitfalls others encounter when they announce visits, namely coached workers and falsified books. “The offsite interview itself is a fantastic procedure. When you join workers in their homes or community, you pick up issues you may not be able to pick up on the day of the factory audit.” – Bobby Joseph, Lead Auditor and Health and Safety Inspector, Bangalore, India.

FWF’s factory auditing serves two main purposes: For factories, it is a step in a process leading to workplace improvements – rather than a policing exercise.

For companies, factory verification visits also serve as an indication of their performance in upholding their FWF commitments. An audit’s main goal is not to find the problems. Audits are part of a broader process aimed at fixing the problems, and collaboration is the best way to achieve solutions. It is for this reason that FWF’s audit guidelines require auditors to interview trade union (on occasions when there is a factory union) and/or worker representatives. Trade union representatives should also participate in the audit exit meeting, where audit outcomes and improvements to workplace conditions are discussed. Likewise, by seeking to involve member companies in the audit process, company representatives gain a deeper understanding of the problems in the sector and their underlying root causes. “FWF’s audits are not about long checklists and fixating on minute details. Local specialists are the key to FWF’s approach. They work to find the underlying problems – the root causes... Ultimately, if we want to solve these issues, we need to create an environment of trust and collaboration between buyer and supplier. FWF auditors have the expertise to find and explain problems as the audit unfolds – and to participate in discussions about possible solutions.” – Ivo Spauwen, International Verification Coordinator at FWF. (Source: FWF)

CAP: Corrective Action Plan

A Corrective Action Plan is usually received after an audit at a factory. They are used to address issues in the factory and the company’s supply chain. The CAP sets the procedure and tracks the progress of the remediation process. In practice it is usually an excel-sheet provided by FWF to the brand with information on the audit’s findings, related legal background information about local laws and suggestions on how to solve the issues. This document is then sent back and forth between the brand and the supplier solving the listed findings step-by-step over a certain amount of time.

CoLP: Code of Labour Practices

The Code of Labour Practices is based on the conventions of the International Labour Organization (ILO) and the Universal Declaration on Human Rights. In the text below, references are made to specific conventions. Where clarifications of ILO Conventions are required, FWF follows ILO Recommendations and existing jurisprudence.

- 1. Employment is freely chosen:
There shall be no use of forced, including bonded or prison, labor. (ILO Conventions 29 and 105)
- 2. There is no discrimination in employment:
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, regardless of race, color, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps. (ILO Conventions 100 and 111)

3. No exploitation of child labor:

There shall be no use of child labor. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years.“ (ILO Convention 138) „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. (...) Children (in the age of 15-18) 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.“ (ILO Convention 182)

4. Freedom of association and the right to collective bargaining:

The right of all workers to form and join trade unions and bargain collectively shall be recognized. (ILO Conventions 87 and 98) The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers` representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions. (ILO Convention 135 and Recommendation 143)

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 always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

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 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. (ILO Convention 1)

7. Safe and healthy working conditions:

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 hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the

industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimize health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

8. Legally-binding employment relationship:

Obligations to employees under labor or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labor-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programs. (Source: FWF)

CSR: Corporate Social Responsibility

Corporate Social Responsibility means that a corporation is committing itself to sustainable economic development – on one’s own authority, by choice and beyond any legal regulations. For that matter a specific focus is set on the responsibilities towards the actual environment as well as on the key markets, towards commercial partners (such as manufacturers) and employees. (www.riedaily.de/blog/en/responsibility)

FWF: Fair Wear Foundation

Fair Wear Foundation works with brands, factories, trade unions, NGOs and sometimes governments to verify and improve workplace conditions in 11 production countries in Asia, Europe and Africa. FWF keeps track of the improvements made by the companies it works with. And through sharing expertise, social dialog and strengthening industrial relations, FWF increases the effectiveness of the efforts made by companies. The FWF’s more than 80 member companies represent over 120 brands, and are based in Europe. Member products are sold in over 20,000 retail outlets in more than 80 countries around the world. (www.Fairwear.org)

WEP: Worker Education Program

The FWF Workplace Education Program (WEP) is a training session held at the factory, which aims to move companies beyond auditing and corrective action, and towards workplaces where issues are raised and resolved through open communication. The WEP aims to provide factory managers and workers with the tools they need to start an open dialog about issues and opportunities in the workplace and about how to improve working conditions in the factory. Increased awareness about labor standards, together with functioning grievance systems, can contribute to improving working conditions. Fair Wear Foundation provides both general and country specific modules. (Source: FWF)

WIS: Worker Information Sheet

The Worker Information Sheet contains the 8 Code of Labour standards and the contact to either the local complaint hotline or the FWF complaint email address and is to be hung in the production locations in a place that is visible to the workers. Furthermore, FWF recommends that a WIS is hung in a place where the reader will have some privacy, particularly from management. (Source: FWF)



Questionnaire:

The questionnaire is part of the monitoring by the FWF affiliate. The questionnaire is a form that must be sent to all supplier production factories after the company has become affiliated to FWF (Fair Wear Foundation) and then returned filled out by the supplier. It contains information about the business relationship of the supplier and the brand, the set up of the factory, subcontractors and more. The questionnaire also basically ascertains that the supplier knows what the labor standards are, that the supplier endorses these in principle and also agrees to working towards improvement, where necessary. The questionnaire will also yield information about the manager's view on compliance with the labor standards. However, this can never replace the audit, which takes other sources of information into account, besides the management. (Source: FWF)



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