

SOCIAL REPORT

2019



FUNDMATE

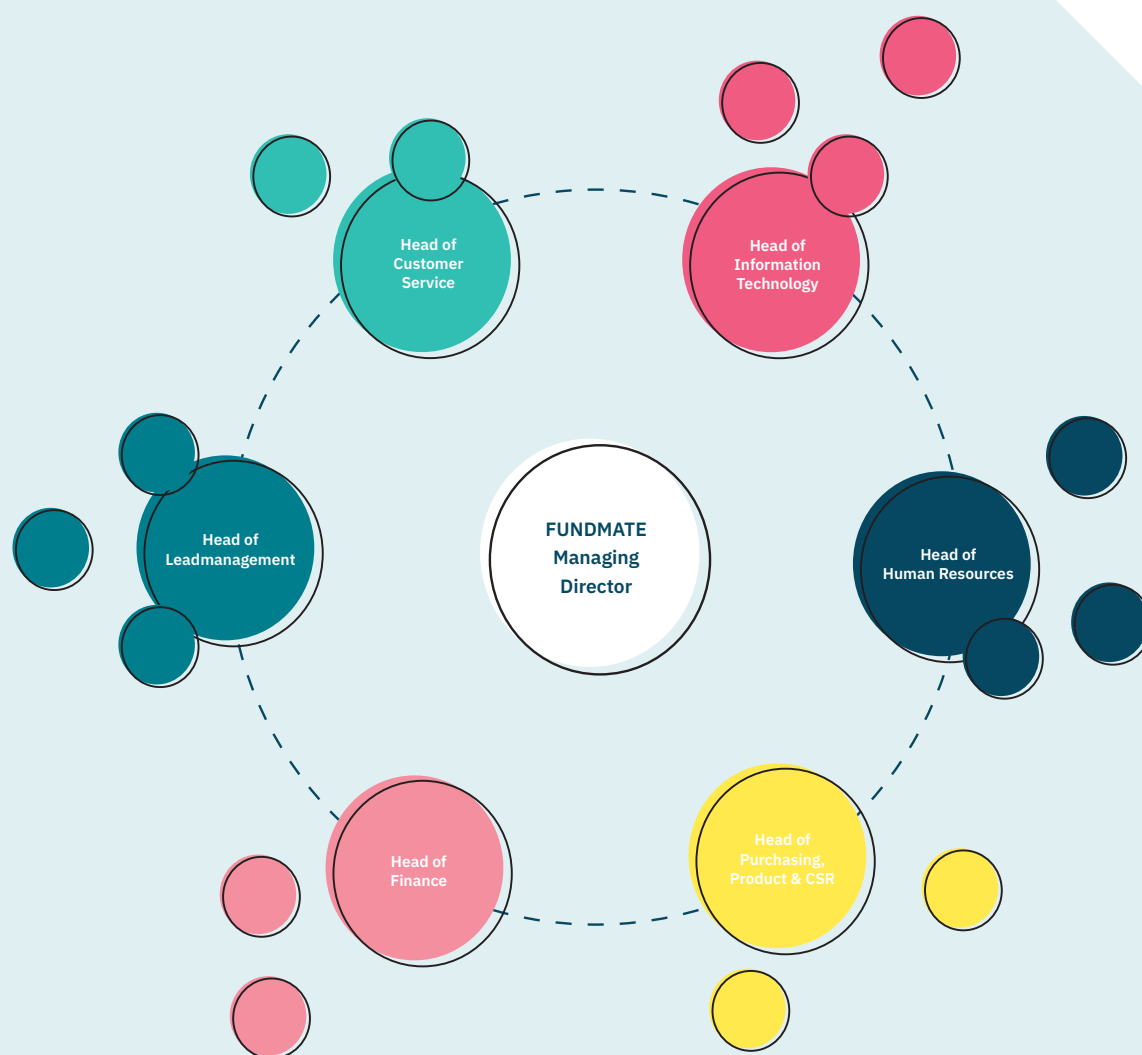
SOCIAL REPORT 2019

Reporting Period:

01.01. – 31.12.2019

FWF Membership Start Date:

01.01.2018



FUNDMATE

www.fundmate.com

„Our new brand name opens various opportunities for the future. Our vision, mission, values and commitment to sustainable production have not changed however.”



DR. BENEDIKT LINK VON FUNDMATE



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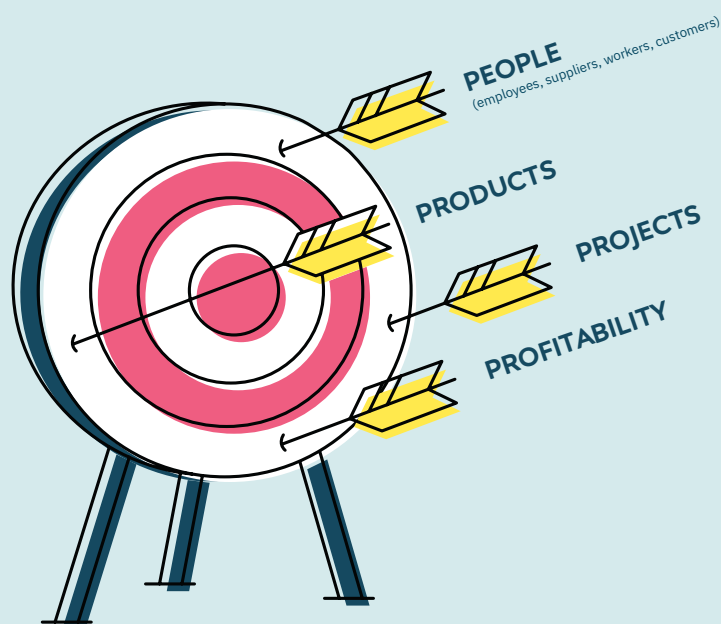
FUNDMATE PHILOSOPHY

At Projekt Fundraising GmbH we offer fashionable and sustainably produced products as fundraisers for fundraising campaigns of non-profit projects and groups. In 2020, we have changed the brand name of the campaigns and products from NEUE MASCHKE to FUNDMATE.

In 2013, when NEUE MASCHKE was founded, we were the first company to offer product-based fundraising in Germany. Correspondingly, over the last 6 years, we have been following the interesting and challenging task to introduce this new way of raising funds to our (prospective) customers. We had to build a market for a product and service which was unknown.

Building a new market requires one major ingredient: Trust. It is the most valuable asset we have. In our opinion, trust is built through transparency, reliability, meeting and exceeding expectations and passion. We aim at a very open communication with our customers many of which have become fans of our products and services over time.

From the beginning we have instinctively followed a set of principles which has materialized into our value matrix. Our goals are based on 4 equal-weight targets.





People

In everything we do, we try to treat the people we deal with in a fair and transparent way. This includes suppliers (workers), employees, customers. We want to build long-term supplier relationships and make them participate in the success of FUNDMATE. We aim to offer a workplace with exceptional learning and development opportunities for our employees and which encourages creativity. We want our customers to become fans of our approach to fundraising and our products. Therefore, we always need to strive to exceed expectations.



Profitability

By offering a risk-free fundraising model to our customers, we have created a model which is heavily dependent on the availability of external working capital. Therefore, the financial success of our company is a key ingredient for the future development of FUNDMATE. We rely on the trust of our supporting bank which has provided this working capital over the last years. Only if we manage to build a profitable and sustainable business and keep a solid amount of equity within the company will we be able to receive bank loans to follow the road of growth over the next years.



Projects

FUNDMATE exists because of our customers' projects and dreams for which they run fundraising campaigns. We aim at offering the best possible fundraising model to make the smaller or bigger dreams behind the funded projects come true. We want to work towards this goal with the same amount of passion that our customers have vis-à-vis their projects.



Products

Our products are at the core of the fundraising model. These products are the actual fundraisers, i.e. they are the means of and catalysts for the groups in their effort to find supporters. We want to sell products, which are constantly exceeding expectations in terms of quality and sustainability because we believe that happy and enthusiastic customers are the best testimonials for our fundraising model.

GOALS & ACHIEVEMENTS 2019

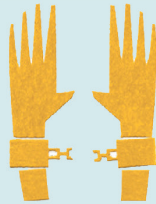
2019 was an exciting year of constant change and development and challenging and rewarding decisions. In January, we took the long pending decision of finally adopt a new brand name – FUNDMATE. For many years in the past, we knew already that we wanted to change the brand name to reflect the broader range of products and the core of our business: fundraising. In countless workshops, we developed hundreds of ideas for a new and more suitable name – until FUNDMATE came up.

After taking this decision, the real work started: We developed a new logo, corporate design, product packaging, magazine and website. We are proud of what we achieved – even though we know that this is only the start of a new and exciting adventure.

Considering all the changes made in 2019, it is crucial to reflect on what did not change: Our vision, mission and our values. While we have changed the look and feel of what we do, we are still the same people with the same passion offering the same campaigns, following the principle “everything stays better”.

2019 was the second year of our membership of Fair Wear Foundation (FWF). We followed the road of working towards further improving the working conditions at our suppliers and on implementing the FWF Code of Labour Practice (CoLP), which is based on the UN Human Rights Charta and the core working principles of the International Labour Organisation.

Fair Wear Foundation Code of Labour Practice



Employment is
freely chosen



There is no Discrimination in
Employment



No Exploitation of
Child Labour



Freedom of Association and the
Right to Collective Bargaining



Payment of a Living
Wage



Reasonable Hours
of Work



Safe and healthy
Working Conditions



Legally binding
Employment Relationship

We are committed to a transparent supply chain and only work with suppliers who fulfil our supplier selection criteria. We visit all our direct main suppliers regularly, usually once per year. In order to meet the FWF transparency requirements, we carefully evaluate each of our suppliers every year and discuss FWF audit results and corrective action plans (CAP) with them. We are proud of working only with factories which are willing to work towards improvements.

Our first FWF brand performance check was held in spring 2019. We are very happy with the result, as we were awarded the grade/label “good”. FWF confirmed that this was a very good result for the first year and we acknowledge that our efforts (as a small brand) were appreciated.

In 2019, our production was focused on the EU and Turkey. Due to the considerable political and financial stability risk in Turkey (exchange rate risk, high inflation), we have managed to build a more international supplier base finding a reliable high quality supplier in China to mitigate country specific risks. After a test order in the beginning of the year, we immediately visited the factory in March 2019 and organized an FWF audit in the factory two months later. Our personal impression as well as the audit results were in accordance with our sustainability criteria to commence a long term relationship with the supplier and we are happy to welcome this new supplier in our supplier base.

The total order size for all our suppliers was lower this year because we had to destock our warehouse.

FUNDMATE warehouse, Freiburg



In 2019 we have held a FWF training on worker rights and a verification audit at our Turkish supplier as well as an audit at the Chinese supplier. We have also started the first discussions about a collaboration with Sockstar – another FWF brand – to cooperate on a sock industry specific living wage calculation.

Overall, we are very happy with the second year of membership. FWF has helped us to focus on the most relevant factors in sustainable production and monitoring. Based on information we gained through our FWF membership we started to rebuild and restructure internal processes to further support sustainable sourcing.

1. Sourcing Strategy

1.1 Sourcing Strategy and Pricing

Situation

We have adapted our sourcing strategy in the preparation of becoming a member of Fair Wear Foundation in 2017 and 2018. Founded only six years ago, FUNDMATE relied on the knowledge and experience of experts in sock production and quality at the start. We found an importing agent who had for us relevant certifications (e.g. BSCI) and a very high quality to supply the first pairs of socks. We build a trustful business relation over the last year which lasts until today.

With the substantial growth over the last years, it has become clear however, that we have to become experts in sock production as well and know our supply chain better than we previously did with the intermediary. As described in the 2018 report, we have tried to convince our main agent to become a member of Fair Wear Foundation as well, but after one year of negotiations, he decided that he did not want to join. We therefore decided in 2017 to responsibly exit the relationship by successively reducing order sizes. 2019 was the first year in which we only sourced from producers where we are allowed to hold FWF audits and talk to the factory management directly.

In 2019, we had suppliers in Turkey, Slovakia, China and Germany. We have learnt that every production country has its strengths and weaknesses in terms of product type and technical equipment. We are trying to place orders always in the countries which have the best quality for a specific product. This is another advantage of the international supplier base.

We have sourced textile products from external brands in 2019 as well: Kitchen towels, beanies, hammam towels and T-Shirts were bought from other brands and not directly sourced. While this has several advantages, we are aware that the transparency of the production of these products is slightly lower than if we source them directly. We mitigate this by improving the questionnaire for these external brands. Some products are also produced in low risk countries and some are sourced from other FWF members.

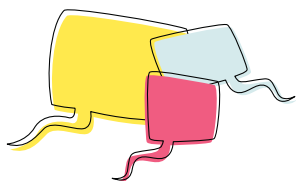
Goal

It is our core goal to establish and keep a stable supplier base founded on sustainability, trust, transparency and reliability. As a small company, the costs of bringing a new supplier into the game are substantial, it is therefore in our own interest to work for a long time with the same suppliers. Also, we believe that long term improvements are only possible if both sides – the buyer and the seller – show that they value the partnership and are willing to work together for a long time.

Premises

While we are still relatively new to the garment production industry, we are constantly trying to understand the mechanisms and issues better and to identify key success factors for a good partnership. Our business model allows for and requires the following premises:

- Due to the nature of our business, roughly all of our products are NOS products (within the season and many of them also between seasons). Overall, our products are rarely changed in style. We only have two different collections (spring/summer and fall/winter) and even

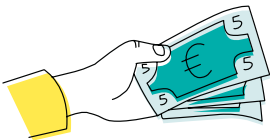


between these collections more than 50% of the products remain the same. This allows us to have a relatively stable production planning process and supplier management process which allows for long term planning.

- We have a relatively small number of suppliers and always try to balance the risk of being dependent on a single producer and production country with the increased complexity of managing several suppliers with the same product. We only start supplier relations and test orders if we have significant evidence for a prospective and long-lasting relationship.
- Our supplier due diligence is based on quality, reliability, sustainability and price.
- We have long term planning cycles to avoid overtime and allow to adequately allocate production.
- We keep orders stable once indicated or placed – forecasts are mostly only slightly adapted when turned into orders and placed orders are almost never changed. Our business model is favourable in the sense: We can sell products during several successive seasons and delay the introduction of new products although we might still have them in stock to destock other products. In case a product is not sold completely during one season it will be sold off in the next season.
- Due to the small percentage of production capacity needed from suppliers, it's relatively easy for suppliers to provide this capacity. On the other hand, it is in our own interest to be perceived as valuable partner despite the small volumes.
- All departments (design, procurement, product marketing, production planning) who might influence production time are supervised by one person to avoid e.g. delays in product design.
- Due to the high share of NOS products not much sampling is necessary and time pressure on suppliers is usually low. Given our small share of capacity at each supplier, we are not able to build time pressure anyways.
- We discuss the feasibility of our payment terms with each factory to ensure which allow factory to reduce risk and have adequate liquidity to pay workers in time.
- Our own warehouse is used as a buffer for changes in demand so we do not need to change orders or cancel them.
- Although this might sound a bit naïve, we perceive ourselves as price takers rather than price makers. Our negotiation power does not lie in huge volumes but rather in the prospect of a mutually beneficial long-term partnership.

Pricing

In order to increase the wages of the workers at our suppliers constantly, we need to be able to pay a premium over the regular price in the long term. However, as a consequence of continuously rising prices of all of our suppliers due to inflation and a selling price which we have not increased over the last 6 years, our already thin margin has come under pressure in recent years. Since our selling price is fixed due to our specific business model, we increase prices by decreasing the number of goods sold in one unit. We have started this process in the end of 2019 and will complete the increase in 2020. We have also used our technical expertise to change the specification of several products to decrease production cost without reducing the quality. This gives us some financial leeway to work towards improvements in the years to come.



1.2 Organisation of the Sourcing Department

FUNDMATE is a small company of approximately 15 FTE. In 2019, FUNDMATE introduced departments into its organizational structure. The corresponding department is the department "Sourcing and Product" for which the current CSR representative Chiara Tröndle has taken over the responsibility. The managing director is also directly involved in many of the sourcing decision.

In China sourcing is done via an agent because it is impossible for us to control working conditions and supplier quality on the regular basis. We therefore use the agent to help us to select suppliers with high social standards and conduct production site visits for us regularly.

1.3 Production Cycle

Due to the nature of the business, there is a very high share of NOS products. This allows for very stable production cycles. The production planning is always 6 months ahead of expected delivery and production volumes in the factories are still so small that we have not encountered any problems regarding production allocation in the factories.

There are only 2 different collections per year (Spring/Summer & Fall/Winter).

In 2018 and 2019 we asked our suppliers for feedback on our production planning system to make sure that we were not putting pressure on them without noticing and in order to get ideas on how to improve our partnership. We are very pleased that we received very positive feedback from suppliers regarding our production planning and the collaboration over all.

1.4 Supplier Relations

FUNDMATE aims at long-term and sustainable supplier relationships. Based on the FWF requirements and recommendations, FUNDMATE has introduced a very structured and rigorous approach to new supplier selection.

This supplier selection approach includes country and product specific questions as well as personal impressions.

Our selection criteria for new production locations are based on the following elements:

- Quality of the products and price
- CSR track record (at least BSCI membership/audit or similar social audit)
- Responsiveness, transparency and quality of communication
- Commitment of supplier/factory management to FWF Code of Labour Practice
- Personal impression at factory visit with focus on Health and Safety issues
- Production location choice

We do not source from high risk countries as for example Bangladesh, Pakistan or Myanmar. In 2018, one new supplier has been selected to enter the test order phase after passing the supplier selection due diligence. In 2019 the supplier has successfully completed the test phase and the FWF audit so we now regularly place orders. For some of the external brands where we placed only small orders, we have gradually decreased the order volumes because we want to exit the product category which they are providing.

1.5 Integration Monitoring Activities and Sourcing Decisions

We believe that our monitoring is effective despite the low leverage we have in the production locations. We feel that our suppliers appreciate the personal relationship and the fact that we are more focused on quality rather than prices.

We have a stable supplier base at the moment and hope to continue with the same suppliers for many years to come.

We created a structured approach for assessing supplier performance. The aim of this approach is to evaluate the production location performance including its social compliance to get to an integrated decision making processes. This rating system is applied once a year to assess our existing supplier base. The rating of each supplier is an important basis to make production decisions. In 2019 it was successfully applied for the first time.

2. Coherent System for Monitoring and Remediation

Our monitoring and remediation system is currently built on 4 pillars:

- **Factory visits:** In our opinion, this is one of the most important tools to monitor actual progress in a factory and build a trustworthy relationship.
- **Factory audits and follow up on corrective action plans:** We have audited our main suppliers in 2019 with the help of a local FWF audit team and already intensively worked on the corrective action plan. We have also held a FWF worker education training at our supplier.
- **Complaints handling:** We have not received any complaints from workers so far despite the FWF worker information sheets being put up in all factories.
- **Training and information:** Workers need to be informed about their rights and management needs to be informed about our expectations. In addition, trainings can help to improve our own, management's and worker's knowledge of potential issues. At our main supplier there was the first FWF training in 2019.

We will continue to develop this monitoring system based on its effectiveness and our experiences as we go along.

2.1 Turkey – Sock Production

We currently work with one sock factory in Turkey. The cooperation started in 2017. It is currently our most important factory. We have a close collaboration with this supplier and its management based on trust. Our aim is to build a long-term business relationship with this factory.

In 2018, the FWF supplier questionnaire and the worker information were filled out. Since the employment of Syrian refugees can be an issue in Turkey, we also sent the worker information sheet in Arabic. We received a filled in and signed copy of the questionnaire and the worker information sheet was posted in the factory.

The managing director and the CSR representative visited the factory in 2018 (MD already 2017). The next visit is scheduled for May 2020.

The first factory audit took place in July 2018. We received the audit report with the corrective action plan end of 2018. Follow up on the corrective action plan happened in 2019 until there was a verification audit in December 2019. The audit report of the second audit shows that great improvements were implemented already. There were no complaints in this factory in 2018 and 2019. The supplier also held a FWF worker education programme at the site in 2019.

The factory management is well aware of FWF and the Code of Labour Practice (CoLP).

You can have a look inside the factory yourself – we made a video of our visit:

<https://youtu.be/PrLQpvHFZfA>

2.2 Turkey – Trunks Production

We are collaborating with this factory since 2017. This is the only factory where we source sewn products (the trunks).

We received a filled in and signed copy of the questionnaire and the worker information sheet was posted in the factory. Since the employment of Syrian refugees is a topic in Turkey, we also sent the worker information sheet in Arabic to our suppliers. The factory was visited in 2018 the second time by our managing director and the CSR representative. During the factory visit we introduced FWF and the CoLP to the factory management. Illegal employment of Syrian refugees is a country specific risk in Turkey. Therefore, we especially addressed this topic to our supplier. During the shop floor visit we completed our health and safety checklist for supplier visits. In 2018 and 2019, there were no complaints in this factory. Due to the low demand for trunks, we will slowly exit this supplier. Since we only buy a small portion of the suppliers overall production, the supplier will not have a problem with empty capacity.

2.3 China — Sock Production

Due to the political and economic situation in Turkey, we needed to extend our supplier base internationally to mitigate country specific risks. Therefore, we ran a test order with a Chinese supplier who has very high quality products.

When sourcing from China, you need to rely on an agent or have your own people on the ground. Since our company is too small to have Chinese staff, we rely on an agent who visits the factory several times per months.

After successful completion of our supplier selection process we started to work with this supplier in 2019 by placing the first bulk orders aiming at a long term relationship. For the presentation of FWF the factory was visited in 2019 by a member of company management. During the factory visit we introduced FWF and the CoLP to the factory management. During the shop floor visit we completed our health and safety checklist for supplier visits. There were no complaints in this factory in 2019.

The factory was also audited by FWF in 2019 and the CAP has already been worked on. Several of the issues raised in the report have already been remediated and we are continuously working on the other points together with the factory.

2.4 Germany — Hipster Bag Production

Our hipster bag is produced in a workshop where people with mental illnesses get the chance to work. The workshop is located in Germany, a low risk country. We collaborate with this workshop since 2017. It is located close to our own location. Due to the local proximity the workshop is visited often by staff members. For the presentation of FWF the factory was visited in 2018 and 2019 by a member of company management. During the factory visit we introduced FWF and the CoLP to the factory management. During the shop floor visit we completed our health and safety checklist for supplier visits.

Due to the low demand for hipster bags in 2019, we will reduce order size gradually for this product. We are already working on the design for a new product together with the supplier.

2.5 Slovakia — Sock Production

Slovakia is located in the EU and therefore classified as low risk county by FWF. We collaborate with this factory since 2016. There is regular exchange between our managing director and the factory management. Factory management also visited our office in 2019 two times. In the beginning of the year 2018 we sent the FWF supplier questionnaire and the worker information sheet to the supplier. We received a filled in and signed copy of the questionnaire and the worker information sheet was posted in the factory.

We visited the factory in 2018 for the second time. The visit was carried out by the managing director and two employees. During the factory visit we introduced FWF and the CoLP to the factory management and further discussed country specific risks. During the shop floor visit we completed our health and safety checklist for supplier visits.

There is another FWF member sourcing from this supplier. We exchanged our experiences with this FWF member. In 2018 and 2019, there were no complaints in this factory.

Due to recent but continuous quality and communication issues with the factory, we are planning to gradually decrease order size at this supplier.

2. 6 External Production

We sent the supplier questionnaire for external suppliers to all of our external suppliers. We received completed and signed versions from all of them. A large part of the external production is coming from Europe.

As with our own production, we only chose trust suppliers and brands with high ethical standards. One of our external suppliers is also a Fair Wear Member.

3. Complaints Handling

Our CSR manager is responsible for complaints handling. In 2019, no complaints were raised in any of our factories.

4. Training and Capacity Building

4. 1 Activities to inform Staff Members

Since our FWF membership started in 2018, we made sure that all staff members are informed about it before the start. Because of our business model we talk to many of our customers via phone. We often get questions on how we deal with issues like sustainable production, child labour and so on. It is therefore in our interest that the whole team (including customer service) is well informed on our CSR activities

- To improve the awareness on sustainability topics, especially FWF, we have held one workshop in 2019 with new employees. The workshop focused on our activities in sustainable production, the FWF membership and the FWF communication guidelines.
- In addition, we created guidelines for our customer service on how to communicate the FWF membership to our customers. These guidelines are included into an on-boarding folder which every new employee gets.
- The managing director is involved in all topics/decisions related to FWF membership because he is still very closely involved in the production and procurement decision.

FUNDMATE team meeting



Our CSR representative participated in many FWF webinars, the German FWF member and stakeholder meeting. The managing director participated in a gender brand awareness training in 2019.

Furthermore, the FWF communication guide was shared with marketing and there is a close collaboration on this topic.

In addition, we have a responsibility section on our website, where we inform about different topics: <https://www.fundmate.com/produkte/verantwortungsvolle-herstellung>

4.2 Activities to inform Agents

Our agent in China was informed in a personal meeting with a presentation and open discussion. She also received the FWF factory guide (online training tool for factory managers).

We always emphasize on the criteria needed to become a supplier, so the agent can make a reasonable preselection when talking about potential new suppliers. Currently we do not plan to add new suppliers through this agent.

4.3 Activities to inform Manufacturers and Workers

Our suppliers have filled out and signed the supplier questionnaire. The worker information sheet was also put up in all factories (with the exception of a workshop in Germany, where some of the information on the sheet is irrelevant due to the nature of the workshop and therefore cannot be applied). In addition to the information sheet, the workers have also been informed through the management and workers association of their factories. During our on-site visits, we also presented FWF to the factory management and agents (where applicable) and discussed pending issues openly. We also offered each factory management information about the factory guide, the FWF online training tool for factory managers. In 2019 we held an FWF training on worker rights for employees to inform them about the CoLP.

5. Information Management

We are regularly in touch with our suppliers. We hold phone calls at least every three months and are in contact via E-Mail every 1-2 weeks. We try to visit every supplier once per year. In 2019 we have visited our supplier in China and Germany. Because we are a relatively small company and we only have few suppliers, it is still relatively easy to monitor and have personal meetings with all suppliers. Luckily we work only with a small amount of suppliers, so we do not have a “long tail” in our supplier list. All of our suppliers have confirmed not to work with subcontractors.

We document all relevant communication in our file storage system to be able to better track progress and have a solid documentation of the agreements made.

6. Transparency and Communication

In our first year of membership we followed the communication guidelines of FWF and published the logo on our website. We also describe FWF and our membership on the website in detail: <https://www.fundmate.com/produkte/verantwortungsvolle-herstellung/fair-wear-foundation>

Since we hold phone calls with all of our customers, we are able to also communicate our membership there, similar as with e-mail request. Customers often ask about the production conditions of our products. This is a very good way to communicate our membership actively to many of our customers. We also describe the FWF membership on the first page of the product catalogue.

As a summary of the ongoing efforts and changes in the area of CSR, we have compiled and published this report in March 2020.

7. Stakeholder Engagement

In order to get a fair overview on the workers situation and social issues in the respective production countries, we have relied on the available resources of NGOs and other organizations. We also used many FWF resources such as the FWF country studies, as e.g. the FWF Country Plan Turkey, the FWF guidance on risks related to Turkish garment factories employing Syrian refugees and the FWF document Child Labour in Turkey. We also held several calls with other member brands to better understand country specific risks and share best practices.

8. Corporate Social Responsibility

Apart from the supplier relationships described above, we try to leave a positive footprint also in other areas of CSR. Many of our products are organic and we strive at increasing this percentage further over the next years. All kids socks use GOTS, as well as the trunks and T-shirts. Our Spice-set and tea assortments are also purely organic.

We use FSC paper for the packaging of almost of our boxes making sure that its resources are coming from sustainable forestry and we send all of our parcels emission free using the compensation program GoGreen of DHL.

A significant part of our products are packed by workshops for handicapped people. We have built a very good and personal relationship with these workshops and the people who work for it over the years and we have become a valuable partner for them as well. Apart from the pay for the regular work they do, we have donated thousands of socks and hundreds of T-shirts to these workshops and other needy people over the years. We have donated socks worth 8.300 € to charity in 2019.