

Closed Social Report

CLOSED

Closed organisational chart

120 employees	Head office Hamburg, Germany
92 employees	Warehouse Hamburg, Germany
7 employees	Showrooms Germany
16 employees	Showrooms International
98 employees	Shops Germany
31 employees	Showrooms International
25 employees	Outlets Germany
9 employees	Outlets International
401 employees	Total





Summary: 2021 goals & achievements

As we report on our first year as a Fair Wear member in this Social Report, our summary starts with a quick look back to the early days of Closed – and will conclude with our current challenges. Fair working conditions have always been a matter of the heart for us – since our beginnings in 1978. We have always placed very great value on fair relationships with our production partners, which are mainly located in Europe where around 80% of our products are manufactured. We have been working with the majority of our production partners for decades – some of them have been at our side since the very beginning. Our partnerships are characterised by loyalty, trust and friendship. This has resulted in our Code of Conduct, which is signed by Closed partners twice a year in order to document our mutual understanding. Among other things, our partners commit to supporting fair wages as well as decent working hours by signing the Code of Conduct.

As the pandemic spread, we saw the level of cooperation between our staff and partners gathering momentum. Although visiting our production sites was still restricted in 2021, something we do regularly under normal circumstances, we remained in constant contact and supported each other. We stayed in touch via video calls, phone calls and emails. We are deeply thankful to have such phenomenal partners at our side to weather this crisis together.

We have been a member of the Fair Wear Foundation since January 2021 and are very pleased to take this important next step of having our production sites independently audited and making our commitment to fair working conditions even more official.

In the first year as a Fair Wear member, we have been busy informing our production sites about Fair Wear and our membership. We have talked to all our suppliers and sub-contractors: sometimes on the phone, via video calls, e-mails or even on a personal visit or two. All partners have received the Fair Wear Questionnaires and Worker Information Sheets from us. These documents contain the Fair Wear Foundation labour standards and form the base of our Fair Wear membership. We have also started to set up internal structures to document the conversations with our suppliers as well as site visits. We have moved into audit planning and have defined our priorities for the first audits in 2022. One audit has already taken place in 2021, together with another Fair Wear member.

We also informed our Closed employees about the Fair Wear membership (in presentations and a newsletter) and announced the news to our customers via social media and in our sustainability report.

“It has always been our aim at Closed to act in a socially, economically and ecologically sustainable way. Since day one, we have been striving to build strong partnerships with our suppliers – and are proud that trust and fairness form the basis of our relationships today. We firmly believe that more fairness throughout the supply chain would contribute to a thriving, more sustainable fashion industry. Therefore, it is of utmost importance to us at Closed to promote fair labour conditions.”

GORDON GIERS, CEO CLOSED

Fair labour conditions form an important pillar in our sustainability strategy at Closed. Sustainability has always been something we care about. We are not an eco label and we feel that it's impossible for a clothing company with quarterly collections to be 100 per cent sustainable. But we are continually finding new ways of improving to continuously make our processes as sustainable as possible. Our goal is to produce our collections under fair labour conditions, with less of an environmental impact – while never compromising our high quality. Our sustainability efforts are divided into five focus topics: circularity, raw materials, animal welfare, chemical management and production processes. For example: we started our own eco-denim line A BETTER BLUE in 2018 and increased the volume of sustainable materials step by step. We switched from conventional cotton to organic cotton for most of our essentials and started using recycled materials and natural dyes.

We demand certificates for all sustainable materials to verify the integrity of the materials and chemistry, including Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Global Recycled Standard (GRS), Responsible Wool Standard or the Lenzing certification number.

In addition to raw materials, production processes such as tanning, dyeing, printing, washing and finishing can also leave a heavy mark on the environment, in terms of greenhouse gas emissions, water pollution, water consumption and energy use. There is various action that can be taken to reduce these impacts, depending on the processed material, desired design and technology in use – and it is always our aim to produce our collections with less of an environmental impact, as consciously as possible. Most of our materials are made in Europe where the technology standards are very high and risks in terms of water pollution and chemical use are generally lower due to stricter regulations. However, there are still important environmental factors for us to consider in our processes and we are in constant dialogue with our partners about further improving them.



A next important step for us is to monitor all matters regarding labour standards and mitigate or remediate potential risks in our supply chain. To meet this challenge, we intend to set up third-party audits – with the help of the Fair Wear Foundation. The basis of the collaboration between Fair Wear and a member is the Code of Labour Practices. Eight labour standards derived from ILO Conventions and the UN's Declaration on Human Rights are the core of this code: the employment is freely chosen, freedom of association and the right to collective bargaining, no discrimination in employment, no exploitation of child labour, payment of a living wage, reasonable hours of work, safe and healthy working conditions, and legally binding employment relationships. We are committed to implementing these eight standards in our supply chain. Our membership of the Fair Wear Foundation is key to achieving this. Together with Fair Wear, we are developing a process to monitor and improve working standards at the factories that make our products.

We are also currently preparing for German Supply Chain Due Diligence Act ("Lieferkettensorgfaltspflichtengesetz"), coming into effect in January 2023. This federal law guides the economic actions of companies based in Germany by imposing human rights due diligence obligations on them that they must comply with within their supply chains. Companies above a certain size (2023: more than 3,000 employees; 2024: more than 1,000 employees) have to observe the human rights and environmental due diligence obligations set out in the law with the aim of preventing, minimising or ending human rights violations or environmental risks. Closed has 400 employees and is not yet under obligation to comply with this law. However, it is our aim to already start to prepare everything proactively.

As we report on our first year as a Fair Wear member, it is too early to list key events, achievements and failures during the reporting period related to social compliance.

Sourcing strategy

SOURCING STRATEGY & PRICING

It is part of our strategy to mainly source in Europe, where 80% of our products are made (compared to around 20% in Asia). We have increased this share considerably since 2012 – at that time, only 51% of our products were made in Europe. It is our plan to increase our “Made in Europe” percentage even further within the next few years. We prefer to have our products manufactured in Europe, not only because it means producing close to our main markets and avoiding long transport routes, but also because of the great experience with high-end products in European factories. We appreciate the social standards and quality standards, which are generally high in Europe. Producing in closer proximity to our head-quarters also makes it more feasible to visit suppliers on a regular basis.

We choose our suppliers very carefully and always aim for long-term relationships. Before we start a partnership with a new supplier, we carry out a risk analysis that includes labour conditions. We avoid low-wage countries and fast fashion manufacturers as they are neither in line with our values nor with our high quality standards. Our goal is to create products that form the opposite of fast fashion: Closed stands for high-quality garments that are meant to be worn for years to come. Our designs have a contemporary appeal, but we never chase short-lived trends.

Our suppliers are required to pay their workers at least a minimum wage and work towards living wage levels. Our aim is to be transparent and fair when it comes to pricing. We work with an open price structure. Starting in the initial design process, we work with target prices and develop the product accordingly in close cooperation with our suppliers. With our main manufacturer for women’s pants in Italy, we share a sheet with all costs to provide a detailed overview of the calculation.

It is important to us to plan our production in as much detail as possible every season in order to be a reliable partner for our suppliers. This means planning and booking capacity as early as possible, so suppliers have enough time to deliver our orders. We pre-book production time slots before the sales period for most of our collection and we also pre-book materials wherever possible to prevent delays due to unforeseen issues with our fabric, yarn or leather supply.

We visit our suppliers regularly with different Closed teams (production, design, board).

Before we start collaborating with a new supplier, we visit the factory, inform them about our Fair Wear membership and our fundamental values and we let them sign our code of conduct.

We are currently reworking our Responsible Sourcing Strategy, which will be embedded within our Responsible Business Conduct policy.



PRODUCTION CYCLE

Our production cycle consists of four womenswear and menswear collections per year (spring, summer, autumn, winter) and two to four smaller capsule collections. At every stage of the planning process of our production, our aim is to communicate as clearly and transparently as possible with our suppliers – and to initiate all necessary steps as early as possible. We always like to ensure that we are reliable partners, enabling our suppliers to plan ahead and thus supporting reasonable hours of work in the factories.

Our production lead time is four to six months. The main collections are divided in two or three delivery groups. The groups are clearly defined for our suppliers to enable better planning and ensure stable production quantities per season. We always communicate the production delivery dates as early as possible. To avoid material delays, which could result in overtime in the factories, we order (or block) our fabrics and trims as early as possible. The sales figures are also communicated early.

In case our suppliers cannot meet a deadline, late deliveries may occur from time to time. There are no consequences from our end for our suppliers

The process

Design

Prototypes /salesmen samples are created for the sales period

Production

Fitting of salesmen samples, size sets and pre-production samples

Buying

Informing suppliers with the help of sales projections and weekly updates for orders

FACTORY RELATIONS

We have not selected any new factories in the last financial year and we have not terminated any relationships either. This is not unusual for us, as our partners do not change regularly. In close cooperation with our partners, the vast majority of our products (more than 90%) are manufactured in 17 of a total of 33 production facilities. We attach great importance to long-term relationships: at the end of the business year, 66% of all our partners had been working with us for more than five years, and half of them for more than ten years. Our partners receive orders from us on a very regular basis. Long-term partnerships are key to ensure the high quality of our products. We always look for partners who are interested in becoming part of our Closed story.

We are currently working on our own risk assessment tool for suppliers for a yearly evaluation. This risk assessment tool takes the findings of many different organisations into consideration and combines them with our own evaluation of the partnership – from labour standards to ecological aspects and the individual financial stability of the supplier. The Human Development Index, the Social Progress Index, the Corruption Perceptions Index, the Logistics Performance Index or the country studies of the Fair Wear Foundation are some examples that help us to assess every supplier's individual risk.



INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS

As we have just started our monitoring activities, they did not influence our sourcing strategy in the past financial year. No complaints or tensions occurred in the past financial year.

However, we are in a continuous improvement process with our suppliers. The upcoming Fair Wear Foundation audits will help us to detect, mitigate and prevent human rights violations.



Coherent system for monitoring and remediation



Italy — 33%

Italy has been our main production country from the very beginning. Almost all of our jeans and many of our pants are still being produced in Italy. These product groups are our most important ones with the largest quantities. All of our shoes and leather belts are produced in Italy, the quantities are quite small. Overall, one third of our products is made in Italy. We also have Italian suppliers for a substantial proportion of our fabrics and yarns.

In our first year as a Fair Wear member brand, our main monitoring activity was to inform all suppliers about our membership with the Fair Wear Foundation and about the respective labour standards. We visited most of our Italian factories and subcontractors in 2021 and took care of health and safety checks.

As our main production country, Italy is our top priority when it comes to planning our audits for 2022. We will start with our denim supplier where our largest quantities meet our highest leverage, as this supplier produces all of our (women’s) denim and almost exclusively works for Closed.

* Percentages of annual turnover sourced in the respective countries.

Turkey — 24%

The production of jersey and felpa garments, knitwear, pants and leather/shearling garments takes place in Turkey. Our main monitoring activity in the past financial year was informing all suppliers about our membership with the Fair Wear Foundation and about the respective labour standards. We plan visits for 2022 and audits for 2023.

Portugal — 19%

Portugal is where the majority of our cotton shirts and blouses is manufactured. A part of our jersey garments is also made in Portugal. All our leather bags are manufactured there. Our main monitoring activity in the past financial year was informing all suppliers about our membership with the Fair Wear Foundation and about the respective labour standards. We visited most of our Portuguese factories and subcontractors in 2021 and took care of health and safety checks. For 2022, we plan to visit and monitor the factories.

China — 18%

A proportion of our knits, blouses, dresses, chinos and outdoor jackets are made in China. Our main monitoring activity in the past financial year was informing all suppliers about our membership with the Fair Wear Foundation and about the respective labour standards.

As we are focusing more and more on producing in Europe, closer to our main markets, we are planning to reduce our production in China gradually from 20% to 10% within the next three years and then work exclusively with European suppliers. We are working on an exit strategy for our Chinese partners and will take the impact on their workers' wages into account. We have not planned any visits to China in 2022. Our first audits in China are planned for 2023.

Romania — 6%

Romania is where the production of our ready-to-wear garments takes place: our coats, jackets, blazers, pants and skirts are made in Romanian factories.

Our main monitoring activity in the past financial year was to inform all suppliers about our membership with the Fair Wear Foundation and about the respective labour standards. We visited most of our Romanian factories and subcontractors in 2021 and took care of health and safety checks. One of the Romanian subcontractors, RTG Campina, also works for other FWF member brands and was already audited by several organisations in the past. In 2021, we cooperated with another Fair Wear member brand to audit the factory together. There were some issues, and we are already working on solving them. Here are some details: it was found that the management has not actively informed workers about the Code of Labour Practices and the relevant national/local legislation. We informed the factory management that the Code of Labour Practices should be posted at visible locations for all workers, such as the eating area in the factory. The factory management agreed to be informing the workers. We are also considering planning and organising a Fair Wear Foundation Workplace Education Programme in the factory.

Up to now, no appropriate training was held for worker representatives. No one was appointed as a responsible person for health and safety management. We urged our supplier to officially appoint someone as soon as possible and train them in regard to prevention and protection. We will check back soon to make sure everything was implemented according to our comments.

The audit also points out that workers are paid below living wage as estimated by local stakeholders. We are in contact with the other FWF member brand and with the supplier to analyse the situation thoroughly and to find solutions to increase the wages continually in order to ensure more decent wages. We share a Corrective Action Plan (Fair Wear's framework after audits) with the other member brand to discuss and implement all suggestions for improvement as soon as possible.

In 2022; audits will be conducted in all other Romanian factories. The first one will take place in March 2022 at our most important Romanian supplier Texdata. We also planned to visit and monitor the factories.

EXTERNAL PRODUCTION

We have a small proportion of products by external brands which are sold in our shops and online shop. The focus is on products by smaller brands, preferably made in Europe. In the past financial year, we have informed all external brands about our Fair Wear membership and the respective labour standards. New external brands are chosen carefully and should always adhere to our high standards when it comes to fair labour and sustainability.

Covid-19

When Covid-19 hit in 2020, we had to get used to the “new normal” in so many ways at Closed. Fortunately, we were able to adapt quickly after the first shock. Our sales were influenced negatively, especially during the lockdown periods – but luckily, we did not experience dramatic decreases thanks to our online shop. The pandemic also meant getting used to new means of communication with our suppliers and fewer visits or no visits at all. Especially in the first lockdown periods, we communicated with our suppliers all the time: via email, video call, phone call or text messages.

As Italy, our most important sourcing country, was affected so badly by the first Covid wave, we were constantly in touch with our Italian suppliers to get updates on their health and families.

In 2021, we were already quite used to the new circumstances and new means of communication with our suppliers. First trips were possible again and we visited several suppliers in Italy, Romania and Portugal. Due to the pandemic, we could not visit all suppliers in 2021 to verify health and safety measures ourselves. It paid off once again to be working with long-standing partners whom we trust. They ensured us that the workers’ wages were not affected negatively by the pandemic. They also committed to all necessary health and safety measures by signing our Code of Conduct.

We supported our suppliers in the difficult pandemic situation with ongoing guidance and communication in 2021. We tried to be as flexible as possible with timings. When delays occurred due to the pandemic, we were understanding and supportive.



Complaints handling

To make sure workers at our suppliers are aware of the Fair Wear complaint mechanism, we have taken care of the worker information sheets in the past year. They are now visible in every factory and workers can call the FWF complaint hotline to report complaints. All of our suppliers are informed about the FWF complaint mechanisms. Nina Schlüter, director buying & production at Closed, is responsible for handling complaints. We are aware of the importance of handling complaints immediately and have set up a system to monitor information regarding complaints.

In the past financial year, we did not receive any complaints.

Training and capacity building

ACTIVITIES TO INFORM STAFF MEMBERS

We are very proud to be a new Fair Wear Foundation member and informed our staff immediately about the good news. We sent an internal newsletter and announced the membership in several meetings, explaining the purpose of the foundation and why we chose to become a member. On a monthly basis, we have meetings with our sustainability/CSR team to discuss relevant topics and news. We do not have a CSR department at Closed but formed an internal task force with employees from different departments (design, production, communications) to cover all topics related to social responsibility and sustainability. Involving several departments increases the awareness internally – sustainability and social responsibility are among our most important values and matter in every department.

ACTIVITIES TO INFORM AGENTS

We only work with two agencies, one in Portugal and one in Turkey. They are completely involved in our Fair Wear activities and updated with relevant news regarding CSR topics.

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

In our first year as a Fair Wear member, we informed all existing partners about our new membership and explained the purpose and mechanisms of the Fair Wear Foundation in detail. It is our goal to actively involve our partners in keeping social and ecological standards high. We have not planned any training in 2022, but as mentioned before, audits are planned for 2022.

Information management

We set up an internal system for keeping track of progress on the implementation of the Code of Labour practices for all suppliers. To identify all production locations, including subcontractors, we were in constant exchange with our main suppliers until we were able to collect all information and store it in Fair Force, the database of Fair Wear Foundation.

Transparency & communication

We are very proud to be a new member of the Fair Wear Foundation and informed our customers through social media posts, newsletters, in our sustainability report and on our website about our membership. We also took part in the “Who made my clothes?” campaign on Instagram.

Stakeholder engagement

We have engaged with several stakeholders in the past financial year, including PETA, Four Paws, German Fashion, Textile Exchange, DTB and GOTS to discuss social and ecological standards in our industry. Fair Wear’s country studies on China, Turkey and Italy as well as FW webinars were great resources to stay up to date.



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