



SOCIAL REPORT 2016

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www.iriedaily.de

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Foreword

2016 was a year in which our brand IRIEDAILY took a further important step forward. It was a year in which greater effort was devoted towards focusing on our history, our origins and our DNA in order to become more aligned to the essence of our brand again.

We are a “Do It Yourself” brand with origins tracing back to a small T-Shirt printing project in the Kreuzberg district in Berlin. In our first twelve years, almost our entire production was undertaken in Portugal. The majority of these Portuguese suppliers were small to mid-size factories. Over the years, the business relationships even turned into friendships, in some cases. Unfortunately, around ten years ago we were forced to decide whether we wanted to continue to survive as a brand and as a business. This involved us needing to relocate a part of our production (jackets, shirts, pants, knitwear and accessories) to China, as there was no production platform in Portugal that could provide the prices and volume we required to guarantee our survival.

Colleagues and friends provided us with our first contacts to agents in Hong Kong and Shenzhen, and we commenced with initial production runs there. With the help of these new possibilities, our brand developed very successfully. But in the course of this development, growth and work we slowly began to start losing sight of our original key focus on fairness and sustainability.

For quite some time already, we have recognized that our success can only be maintained in the long term if we place a stronger focus on our original philosophy of ensuring sustainable and fair business relationships again. Our Fairwear Foundation membership is one outcome of this renewed awareness. We believe that the membership provides a realistic opportunity to actively promote positive changes, together with our existing suppliers, in the working conditions of the individuals producing our garments.

Daniel Luger, CEO

1. Summary: Goals & Achievements 2016

2016 was our first year of FWF membership. Our main goal in the beginning was to obtain more details about our supply chain. The tools provided by FWF let us establish a monitoring system. With this system in place, we were able to achieve greater transparency in our supply chain and are now in a position to help improve the working conditions in the factories step-by-step together with our suppliers.

In January 2016, a shared audit was conducted at our most important supplier in China. Since then, we have been working on the CAP (Corrective Action Plan) with another FWF (Fair Wear Foundation) member brand. Working on problems and visions together and sharing experiences and ideas is both very interesting and constructive. Moreover, it is also much more effective for the factory as it needn't deal with multiple people regarding the same issues. We have a good relationship with this supplier who has been a partner for many years and we believe there is a genuine mutual understanding and shared values when it comes to social/CoLP (Code of Labour Practice) related issues. This is also due to the fact that the other member brand has already been implementing and communicating the FWF CoLP for some years prior to us and has thereby paved the way for us to work together on the respective topics with the factory management. In the meantime, the bulk of CAP topics have been solved and we are delighted that this process went very smoothly the majority of the time.

A further CAP is ongoing from a shared audit of November 2015 that we joined. While we only have a very small amount of leverage with this supplier from China, there are luckily several FWF members producing here. This allows us to join forces and together have a greater impact on the supplier. Unfortunately, we have all received complaints via the complaint hotline regarding this supplier. It is also positive that the workers found their way to the helpline and now can be supported by us. It will therefore be a challenge we will focus on during the coming year, as there is still some work to do. We are currently attempting to form a bigger alliance with other large sportswear brands to exert more pressure on the factory management in order to solve the problems. As this is our first year of membership, there are still many things we need to learn. As such, we are very thankful that to date, the other member brands have taken a leading role in working on this CAP, providing us with time to learn from their experience in dealing with more complicated issues.

In this first year of membership we have created and incorporated a "Responsibility" section on our website, which is listed in the main menu. It provides our customers with information on our FWF membership and what the Fair Wear Foundation stands for as well as details on our own general philosophy. Just recently, we have updated the page to include pictures of our production locations in China and Portugal along with some graphics concerning about where we produce. In this way, our customers can obtain a more visual idea and greater insight on where our garments come from.

In autumn 2016 our CEO conducted his two annual trips to Portugal and China to visit the majority of our suppliers and talk to the agencies as well as factory management and also view the factories and check on their health & safety measures and general conditions. These trips are not only vital for us to gain a better understanding of the current situation in the factories. They are also crucial for maintaining the long, personal relationships we enjoy with our suppliers. One main goal was to visit a new factory being built by one of our existing suppliers in the owner's hometown where he intends to employ mainly with local workers. To date, it looks very promising and we intend to provide him with support wherever we can. One of our earliest suppliers in Portugal, with which we have worked together for more than 20 years, has also recently moved to a new location, which we were also very pleased to see.

2. Sourcing Strategy

2.1. Sourcing Strategy & Pricing

We are not an active sourcing company. We select our production partners very carefully and try to remain with them as long as possible. As such, the fluctuation in our supply chain is relatively limited.

Our experience shows that only in a trustful relationship that is healthy for both parties, is it possible to reach a constant quality and price level. It generally takes one or two seasons after which the communication becomes easier, as both parties are getting accustomed to quality, numbers and prices. We also believe that only with close and intensive cooperation with the supplier is it possible to develop good working conditions. With most of our factories, we have already worked together between eight and fifteen years. We try to collaborate as much as we can with our existing suppliers and keep our focus on them.

We design our collections in Berlin and production takes place in Portugal or China. Whenever a product can be developed and realised together with our existing partners in Portugal, we move production there. We endeavour to channel as much work there, as we prefer the close contact and short distance to the respective supplier, which allows shorter transportation routes and also provides the factories there with longer lead-times.

Pricing

As an established streetwear brand, we must offer a stable price level to our clients. Our prices must remain competitive to our brand environment.

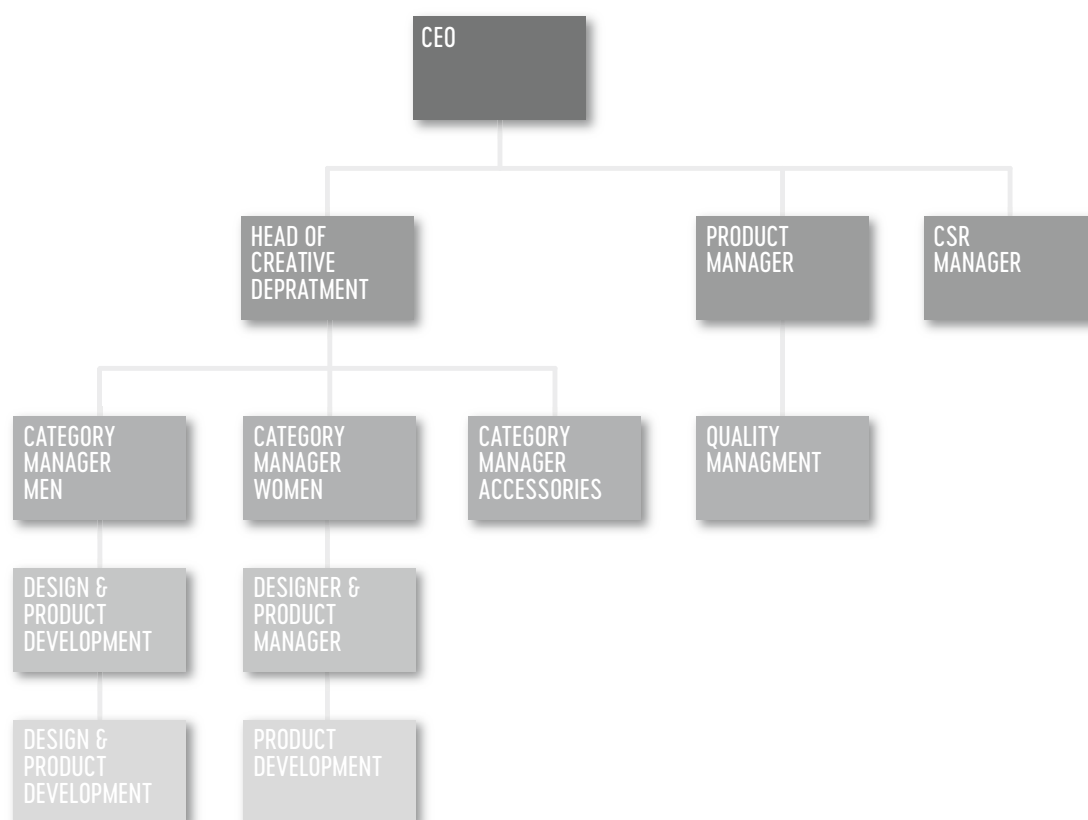
Our pricing strategy is mainly based on our experience. As we commonly use the same suppliers for the same type of garments, we already know the price level that the garment will have right from the development stage. As we also roughly know the price of the fabric and the trims, we are able to provide the supplier with a target price together with the first worksheet. At the latest, we get a first price back from the factory with the first prototype. In instances where the price does not match our targeted price we conduct some discussions and then attempt to find a mutual solution together with the supplier. Sometimes little details increase the workmanship required on a garment much more than our designer had expected. In those cases we then need to either readjust our retail price or we have to modify the style until it fits to the target price.

Prices are fixed with the supplier for one season and are not dependent on the number of garments that we order. This means that we do not ask for discounts if we reach high volumes. We came to this agreement this with our suppliers to avoid them subcontracting/outsourcing as we prefer them to calculate a realistic price for their factory. We accept upcharges if the volume of garments results in extra costs for buying the fabrics, for example, if we didn't reach the minimum orders for fabrics. This guarantees fixed prices for both parties for one season. Up until now, we had no further detailed information on the price calculation from the supplier's side. In the future, however, we will try to ascertain what the included labor costs are in order to obtain a better understanding of the prices.

2.2. Sourcing Department Structure

The CEO is responsible for the long-term sourcing strategy.

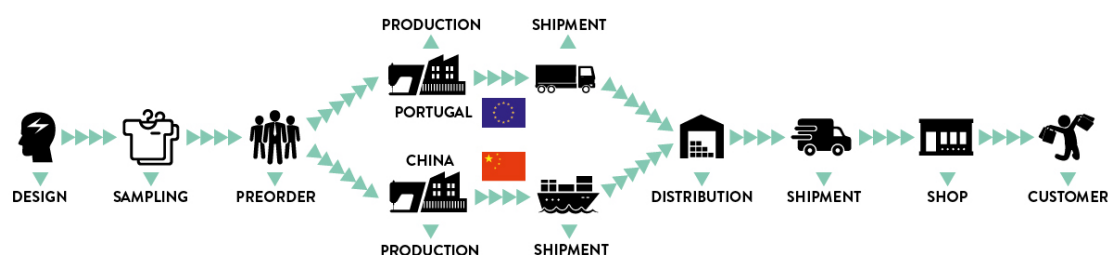
Our Head of Creative Department decides together with the Category Managers the range and target prices of a collection. Together with CEO, the Product Manager and the CSR Manager find out who the best supplier for each product is.



2.3. Production Cycle

We develop three collections each year.

The two main seasons are Spring/Summer [43%] and Fall/Winter [53%]. We also offer a small Cruise Collection [4%], which we ship in November.



Spring/Summer Collection				
	Start		End	
Creative Phase	Early January		Mid March	
Sample Phase	Mid March		Early June	
Sales Phase	Early June		Middle of August	
	Start China	End China	Start Portugal	End Portugal
Production Phase	Mid August	Mid December	Late August	Early January
Shipment Phase	Mid December	Mid January	Early January	Mid January
	Start		End	
Delivery Phase (to Shops):	Mid January		Late February	
Fall/Winter Collection				
	Start		End	
Creative Phase	Early May		Early September	
Sample Phase	Early September		Early December	
Sales Phase	Early December		Mid February	
	Start China	End China	Start Portugal	End Portugal
Production Phase	Middle of February	Middle of June	Early March	Early July
Shipment Phase	Mid June	Mid July	Early July	Mid July
	Start		End	
Delivery Phase (to Shops):	Mid July		Late August	
Cruise Collection				
	Start		End	
Creative Phase	Mid October		Mid December	
Sample Phase	Mid December		Late March	
Sales Phase	Mid April		Late May	
	Start China	End China	Start Portugal	End Portugal
Production Phase	Late May	Late September	Late May	Mid October
Shipment Phase	Late September	Late October	Mid October	Late October
	Start		End	
Delivery Phase (to Shops):	Early November		Mid November	

The production cycle begins in our creative department in Berlin. In line with our sales experience, fashion trends and our vision of the brand, our category managers develop a range of products. Together with our design team, they create a collection comprising around 250 styles (main seasons) or 55 styles (cruise collection). During the creative process we develop the new colours, fabrics or trims together with our suppliers. The creative process ends when we pass our worksheets and salesman sample order to our suppliers. In the sample phase, our suppliers analyze the worksheets and develop a pattern, organize all parts (such as fabrics, trims, labels and artworks). The next step involves the creation of a prototype that mainly shows the correct fit. Our supplier then starts producing 20 salesman samples of each style. The next period is the selling phase during which our representatives and distribution partners offer the collection to our clients. At end of this phase, we analyze all the orders we have received and then place our orders at our suppliers. We usually try to plan ahead

with our most important suppliers to know when they need our first numbers so that production space can be planned to meet our estimated delivery dates. With some suppliers, we place a fabric pre-order with very rough numbers to give them more time to organize the fabric.

The production phase is the most sensitive and crucial period to establish fair and good working conditions in the factories. Depending on the production country and the size of the factory, it is necessary for us to find individual lead times that work well for each supplier together with the management. Especially in the case of smaller factories where we have a high degree of leverage, it is important we give them a longer period for deliveries to avoid an overload of work at seasonal peak times. We have suppliers who split the order up into 10-12 deliveries and others who prefer to have only one shipment to minimize their accountant's work.

Another issue that causes big problems for suppliers in the textile business is late changes on the garments during the production process. To avoid this we give our suppliers a recapitulation sheet for each ordered style together with the order. For each style necessary we asked for a pre-production sample, to be sure that everything is perfect in the bulk production. After a confirmed pre-production sample, our Production Manager refuses any design changes that affect the normal production workflow.

The production phase ends with a shipment sample, which then must be approved by our quality control department. If it passes our quality standard, the factory may then ship it to our warehouse.

2.4. Supplier Relations

We always prefer long-term relationships with all our suppliers. We have work together with most of our suppliers for more than five years and even up to 15 years with some of our most important partners. We believe in maintaining a very open and trustful relationship with suppliers, to grow together and find the right balance between quality, price, communication and trust in a long mutual process. This is what makes a product successful.

We implemented an internal monitoring system to put us in a position to increasingly understand and control our supply chain. We commenced checking on the factories and their supply chain in greater detail, according to the production volume of each supplier.

Portugal:

Last year there were no changes in our production locations in Portugal. As one of our suppliers is in serious financial difficulties, we will need to reduce the order volume at this supplier. Yet as we don't want to let go of him completely, we still provided him with some easy carry-over styles to support him without too much risk on our side. To substitute his work, we visited a new supplier and will develop a small sample program with them. This new factory is very well organized and underwent an audit in 2014 which was organized by another FWF member and was based on the FWF CoLP. If everything goes well with our numbers and the production, we hope to integrate this factory in our list of long-term suppliers.

China:

We didn't start any new business relationships in 2016 in China. We are currently trying to concentrate the volume step-by-step to the factories, where we work directly together with the factory or where we have a very direct contact via a trusted intermediary to the factory. In factories where we don't have much power or direct contact with the factory management, we intend to decrease our volume. This process will take some time as we don't want to abruptly stop working from one season to the next with the suppliers affected by this strategy.

2.5. Integration of Monitoring Activities and Sourcing Decisions

Prior to joining FWF, we already had been visiting our first tier suppliers to get a first-hand impression of the factories and their conditions. After we began integrating our monitoring system, we discovered that our supply chain is longer than we had previously thought, as some suppliers are using subcontracted factories for certain products.

We started to concentrate our production volume on those suppliers that have already been audited by the FWF or will be audited in 2017.

The factory that produces most of our garments is also the most cooperative. We genuinely feel that we can create and sustain a good working environment together with them. It therefore makes sense for us to realize even more of our production volume with them.

Of course we will still try to invest in our other smaller suppliers. But if we feel, like it seems to be the case with one supplier, that we simply don't share the same vision or that they are unable or unwilling to change, then we will slowly decrease our orders with that particular supplier and shift them to those we see a future with.

3. Coherent System for Monitoring and Remediation



Factory	Country	Supplier since	CoLP posted	Low risk origin	FOB Volume 2016	Complaints in 2016	Dates of Audits	Factory visit 2016
PORTUGAL								
A	Portugal	1996	yes	yes	17,76%	no	n.a.	yes
B	Portugal	2011	yes	yes	12,27%	no	n.a.	yes
C	Portugal	2000	yes	yes	2,92%	no	n.a.	yes
D	Portugal	2008	yes	yes	5,83%	no	n.a.	yes
E	Portugal	2013	yes	yes	2,02%	no	n.a.	yes
F	Portugal	2014	yes	yes	0,26%	no	n.a.	yes
G	Portugal	2015	yes	yes	0,01%	no	n.a.	no
H	Portugal	2013	yes	yes	0,03%	no	n.a.	no
I	Portugal	2016	yes	yes	0,07%	no	2014	yes
CHINA								
A	China	2008	yes	no	38,58%	no	2016	yes
B	China	2007	yes	no	8,67%	no	2017	yes
C	China	2013	yes	no	0,95%	no		no
D	China	2009	yes	no	4,34%	yes	2015	no
E	China	2011	yes	no	3,44%	no		no
F	China	2011	yes	no	2,85%	no		no

3.1. Factories A-I / Portugal

The production sites in Portugal are very dear to us, this is where it all started more than 20 years ago – and that is nearly how long we have been working together with some of the suppliers there. We have about six to seven suppliers in Portugal and the majority are small to mid-sized factories where we have quite a high degree of leverage of their overall production and therefore also a responsibility for them. Since Portugal is considered a low-risk country we didn't run any audits there. We did, of course, inform all our suppliers of our membership with the FWF (Fair Wear Foundation) and what this means to them. We also had them fill out a questionnaire, endorse the CoLP (Code of Labour Practice) and put up the WIS (Worker Information Sheets) with the telephone number of the complaints hotline for the workers. We visit them regularly (twice a year) and in October 2016 our CEO went on an additional visit to simply meet and talk and run the health and safety checklists provided by the FWF to get an even better understanding of the current situation at each factory. As we know all the suppliers well for such a long time there weren't any surprises. But it is still always good to meet and talk and to see what could be improved and to simply sustain and nurture the good relationships that we enjoy.

Factory A/ Portugal

This has been our supplier for Men T-Shirts and Sweatshirts in basic apparel fabrics for more than 15 years. It is a very small, but very well organized factory, which is operated by a brother and sister team. In October 2015 we agreed with them, that if they are willing to rent a bigger place with the possibility to have more space for a social room, separate toilets, etc., we will guarantee to continue our business with them at the same level as in the last years. Subsequently, in February 2016, they moved into the new space and we visited in October 2016. The factory is now located in a commercial building, is still relatively small and spread over two floors. On the ground floor there is a large space containing the warehouse and the sections for cutting, sewing, ironing, packing as well as a social room and toilets. Most of the workers live very close by and go home for lunch. On the first floor there is an office and a small showroom. Our impression is that this is very small family-run factory looks good and is well organized. There was music in the sewing section, and an overall good atmosphere could be perceived with the workers laughing a lot. The factory is prepared to handle small and mid-size orders, but they must work constantly as there is no storage for either fabric nor finished garments – which is the reason why this supplier is constantly shipping garments to us. This way of working fits perfectly to our basic T-Shirt and Sweatshirt programs. The FWF WIS (Worker Information Sheets) are placed at the bulletin board close to the entrance and are visible to all workers. All requirements regarding Portuguese law are fulfilled. The factory meets all health and safety requirements. Since this is our oldest partner and we are their most important client, we also have considerable responsibility to make sure we constantly provide them enough work.

Factory B / Portugal

We started working with this supplier because another supplier, which we had been working with since 2000, merged with this supplier in 2011 in order to survive. The factory is a small, family-based factory in a medium-sized building with two floors. On the ground floor there is a warehouse, an extra room for the pattern department, the sections for cutting, sewing, ironing and packing are in another big room, as well as a social room and toilets. The social room is very small and functional and management stated that all workers go home for their lunch break as they all live very close by. We told them that improvements could nevertheless be made to the cafeteria and the social room. The first floor houses the offices for management, accounting and the commercial department as well as a showroom and toilets. Our impression was that this is a small and clean company, which is very well organized and prepared for mid-sized orders. This is perfect for our order volume. The FWF WIS (Worker Information Sheets) are placed at the bulletin board near the attendance recorder. The atmosphere was very friendly and informal – a fact that may also be attributable to 6 of the 20 workers coming from the same family that owns the factory. All requirements regarding Portuguese law are fulfilled. We see a strong future with them as they have very good contacts and knowhow in fabric thereby helping us to produce

our smaller orders and reorders. They have had problems with too many clients leaving in the last season, so they need our orders to survive the next season; this gives us quite some responsibility for them.

Factory C / Portugal

This is another supplier with which we have worked together for more than 15 years. The factory is in a big and modern building on two floors. It is accustomed to higher numbers and looks very professional. On the ground floor there is the warehouse, a pattern department, the sections for cutting, sewing, ironing and packing as well as a cafeteria, social rooms and toilets. On the first floor are the offices for management, accounting, the commercial department and a very big showroom. The factory underwent a Sedex Members Ethical Trade Audit in 2015. On our visit, we found this factory to look very clean, big and very well organized. It also seems as if the factory has potential for more work. We visited during the morning break and the overall atmosphere was quite relaxed and all workers were having their coffee. The factory meets all health and safety requirements, the FWF WIS (Worker Information Sheets) were posted and we are planning to increase our production volume at this supplier.

Factory D / Portugal

We are currently producing three sweatshirt programs and mens T-Shirts for our mid-season program at this supplier. We have been working together since 2010. Unfortunately, this supplier has been in a terrible financial situation for two years. It was previously a large factory before the current loss of clients. During our visit there were around 15 people working, but the factory is prepared for around 80 workers. It is a big factory building on two floors. On the ground floor there is one space containing a section for cutting, sewing, ironing and packing and the warehouse. There is a big social room, eight toilets, showers, storage room, as well as a cafeteria with sufficient seating, a microwave and coffee machine. The FWF WIS (Worker Information Sheet) is placed at the bulletin board. On the first floor there is big office area, which was completely empty, and a showroom. At the end of the summer 2016 we had serious quality and delivery problems and needed to have a long conversation with the owner. Their financial situation is getting worse and therefore they have difficulties in getting the fabric in time, as confidence in their financial strength is no longer given at the fabric suppliers. We will reduce the volume in this factory and wait one more year and observe how the situation develops.

Factory E / Portugal

It has been about 3 years since we commenced working with this supplier for our mid-season program. As such, the production volume is rather low. The factory is very small and during our visit there no worker was present. The management informed us that they only have workers inside factory during the peak season.

The factory is in an old commercial building and it is a small to mid-size factory with two floors. On the ground floor is the section for cutting, sewing, ironing and packing as well as the warehouse and the toilets. On the first floor is an office, a small showroom and a room for the pattern making. Our first impression was that the factory is not really working to capacity and the owner explained that the financial situation is very bad. In general the factory is very clean and has lots of space. The FWF WIS (Worker Information Sheets) are placed close to the entrance.

The owner informed us that they will leave this site in 2017 and move to another building. We will support them with a minimum of work and will wait on what the near-term future brings.

Factory F / Portugal

We have worked with this supplier since 2014. The factory is in a mid-size building with two floors: on the ground floor is the warehouse, the section for knitting, cutting, sewing, ironing and packing together with a small social room as well as a room with lockers and toilets. On the first floor is the office for management, accounting and a showroom. Our overall impression was that the factory is very busy and a little chaotic. There also appears to be room for improvement with the canteen. We are currently only trying to run a small test production of knitwear at this supplier, so we will see whether our business relationship will continue. If this turns out to be the case, we will try to work on improving some minor issues together with the supplier.

Factory G / Portugal

With this factory we were trialing a small shirt program, to test the possibility to develop such a style in Portugal. Unfortunately, it didn't work out and so we subsequently stopped the cooperation.

Factory H / Portugal

This supplier is a specialist for socks. Unfortunately, the factory closed down at the end of 2016.

Factory I / Portugal

This is a new supplier for IRIEDAILY. We commenced in September 2016 with some sampling for the fall/winter collection 2017. The factory is very familiar with the FWF system as they underwent an audit in 2014. It is a supplier for the future, which is very willing to comply with the FWF rules. Depending on the price, quality and handling, we are planning to build them up as an IRIEDAILY supplier.

3.2. Factories A-F / China

We moved a part of our production to China 10 years ago. For us this meant growth, taking a big step and subsequently also assuming a lot of responsibility. But this step was necessary to stay competitive in the market for outer garments. Since then, we have been working with a few steady suppliers that were introduced to us by friends or people we trust and where we felt that there was a mutual understanding of values. Even though China is still a difficult country politically, we see it growing very fast, also when it comes to social and environmental issues and regulations. As such, we do believe in our suppliers there and in nurturing a long, trustful business relationship with them. We are aware of our responsibility to do our share to constantly work on workers rights issues and to strive to optimize working conditions. In November 2016, our CEO went to visit two of our main suppliers there to discuss FWF (Fair Wear Foundation) topics, get an idea of the current situation at the factory and to go through the health and safety checklists. A shared audit was conducted at one of our most important factories in China in January 2016; there was still an open shared audit from November 2015 at another factory to work on; and we have our next audit planned at our other most important supplier for November 2017. Throughout the year 2016 we were busy introducing the CoLP (Code of Labour Practices) and our FWF membership to all our suppliers, had them fill out the questionnaire and put up the worker information sheets. We have also been working on the CAP (Corrective Action Plan) from the shared audit from January 2016.

Factory A / China

This factory has produced for us since 2008 and is very important for woven fabrics such as jackets, pants, shirts and shorts. The factory has two buildings – one for the offices and factory and one is the dormitory for the workers of which they have around 300. The entire factory made a very good impression on us during our last visit in November 2016 and the owner and management are very willing to cooperate in the FWF process. All health and safety requirements were met and the worker sheets were hanging in several spots and visible to all workers. It had its last audit in January 2016. As we share this supplier with another FWF member, we have been working together on the CAP since then. The main findings were clarifying how holidays and overtime are being paid, creating more awareness for the Freedom of Association and the importance of the worker representatives, motivating workers to pay their social insurance and some ergonomic improvements. For example, we bought some floor mats for standing workers and are planning on running a trial of chairs with back support. To address some issues that showed up in the audit more directly, there will be a WEP (Worker Education Program) held by the FWF in March 2017. As mentioned above, we enjoy a really good level of understanding with this supplier and feel like we genuinely share the same vision when it comes to improving the working conditions. For this reason, most of the issues highlighted by the audit have been solved already. We plan to increase our production volume even more at this factory, as we really believe in a long future with them.

Factory B / China

We have worked together with this supplier since 2007. It is an important supplier for us for woven fabrics, mainly for jackets. The supplier recently moved to a new factory, which has opened in the middle of 2016. In this new factory, only local workers who live nearby are employed, so there is no need for a canteen or dormitory. The factory has two buildings and around 50 workers. One building houses the warehouse as well as the packing and cutting section, and the other building is for assemblage and offices. The overall impression is that the new building is well organized for a small-sized factory. As production is just starting there are some things that still should be improved: more emergency lights in all rooms and stairways, plans for emergency exit routes in all working spaces, markings on the floor to guarantee that the emergency pathways are always clear. We have asked the factory to work on these safety requirements. In general, the factory made a good impression. The owner is willing to cooperate in the FWF process. An FWF audit is planned for November 2017. We support the factory management's approach to work with local workers, since we think it helps to reduce the problem of excessive overtime, and workers are able to see their families every day. This is why we are planning on increasing our production volume at this supplier to support the owner and his new factory.

Factory C / China

During the monitoring process we found out that our intermediary was shifting part of the production from factory B/ China to this factory. This factory has apparently been producing for us since 2013. As the FOB volume and our leverage is very small we decided to reduce the volume at this particular factory in 2017.

Factory D / China

At this supplier for accessories we have very small leverage of their overall production volume. It is quite a large factory with about 1000 workers. We have worked together for more than 7 years. There has been a shared audit by FWF conducted from November 2015, which we were able to join in. Unfortunately, there has been a complaint at this factory regarding compliance with FWF labor standards: reasonable hours of work, payment of a living wage, safe and healthy working conditions and legally binding employment relationships. Several other members of FWF are also producing at this factory so we joined forces to handle these complaints. However, even as a unified group, we as FWF members still only have a small leverage at this factory and so we therefore are trying to get other big sportswear brands that produce at this supplier on board – some of which are FLA (Fair Labour Association) members. Several problems have meanwhile already been solved while others are currently still under investigation. This supplier has been growing very fast and it seems that they might have

taken on too many orders, causing too much stress on the work floor. The aim with this supplier is to join forces with other brands producing there and as a unified group of clients to work on the problems together with the factory management. This will be one of our main challenges for the year 2017 – to get a detailed insight to what the problems are and to learn how we can solve them. We are positive that together we can really make a change and achieve improvements for the workers, which is exactly what the FWF philosophy is all about: taking on your responsibility when problems come up and fixing them together with the supplier.

Factory E / China

We've worked with this factory since 2011 via an intermediary. As such we don't really have much contact to this supplier. The factory is located in the Guangdong area in the south of China. It is a small factory with around 70 workers, most of which are migrant workers. The factory does not offer dormitories to the workers. It has two floors, two sewing lines and a cutting section, where cutting is conducted by hand. The CoLP (Code of Labour Practices) was posted in the beginning of 2016. Unfortunately, it was not possible to make a factory check in 2016, but it will be done in 2017.

Factory F / China

The factory is located in Guangdong area, and similar to factory E, we work there via an intermediary since 2011. It has around 100 local and migrant workers. The factory offers dormitories for the workers. The rooms are separated by gender, with toilets and shower in the rooms. It has two floors, two sewing lines and a cutting section with machine cutting. The CoLP (Code of Labour Practices) was posted in the beginning of 2016. Unfortunately, it was not possible to make a factory check in 2016, but it will be done in 2017.

3.3. External Production

We don't have any external production facility.

4. Complaints Handling

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 partner in their local language. This complaint hotline number is written on the Worker Information Sheet that informs workers about their rights and every supplier is obliged to post it in a public area of the factory. If a WEP (Worker Education Program) is held at a supplier, special attention is then also drawn to the complaint hotline and the workers are encouraged to use it. If a complaint is received via the hotline, FWF forwards the complaint to the member who then contacts the factory to solve the problem. The most important thing is to check if the complaint could be a result of, for example, bad/ too tight production planning from our side, or if it is something that is within the factory's responsibility. Either way we will try to solve the problems together with the factory management and will find out what has caused the complaint.

Complaint received in 2016:

As mentioned above, we received a complaint at one supplier (Factory D/ China) at the end of 2016. We share this supplier with several other FWF members. The complaint refers to the following labor standards of FWF's Code of Labour Practices:

- Reasonable hours of work
- Payment of a living wage
- Safe and healthy working conditions
- Legally binding employment relationship

Most of the topics are still under investigation and others could be solved immediately. We are working on this complaint together with the other FWF members. So far, we have been contacting the factory management to find out what is going on and to get more detailed information as well as trying to involve other big brands that produce at this supplier to join forces on this matter. The other brands have taken a leading position in the communication and remediation, which we are very thankful for as we are still learning how to deal with cases like this in our first year of membership with the FWF. They had organized a meeting at the ISPO in February 2017, where we discussed our further strategy.

5. Training and Capacity Building

5.1. Activities to Inform Staff Members

As 2016 was our first year of membership, we were fortunate to receive introductory training by the FWF at our headquarters in Berlin. Our entire staff was present and was informed about how the FWF works and what is required from us. We have created and incorporated a “Responsibility” section on our website, which is also useful for our own staff. When the design team travels to the production locations the CSR Team updates them on the current situation at the factories and informs about what areas they may need to pay special attention to. There are also regular small meetings with Marketing, Design, Sales and QC about FWF matters. Twice a year there is a Sales Meeting where we inform our whole Sales Team about our progress regarding our FWF membership and provide suggestions on how to communicate this.

5.2. Activities to Inform Agents

All agents have been informed about our FWF membership, the processes and practices associated with it and the CoLP [Code of Labour Practice]. In some cases there are also those that helped to fill out the questionnaire or to gather more information about the factories. FWF matters are discussed with them on a regular basis and especially on visits, such as with our CEO at the end of 2016. In general, the agents also have a mediator position and support us in our communication measures and activities with the factories regarding FWF issues like audits, CAPs and WEPs.

5.3. Activities to Inform Manufacturers and Workers

We have sent out the CoLP, the questionnaire and the worker information sheet to all our suppliers by email or have handed them out personally. We have asked them to post the Worker Information Sheet in a popular place within the factory (as well as the canteen and the dormitories, if applicable), which has been verified via pictures of the posted Worker Information Sheets and during our on-site visits. Naturally, all our existing and any possible new suppliers must endorse the FWF Code of Labour Practice for us to even continue or enter into a business relationship. More detailed and specific information regarding the FWF and CSR policies, social standards and problems they might have, and how this could relate back to us are discussed with our agents and the factory management on our visits, via mail and on the phone. Communication with the workers is mainly via internal training sessions at the factory, grievance systems and WEPs held at the factories. Of course we also endeavor to talk with the workers during our visits and gain an overall idea of the atmosphere on the work floor. However, we have realized that the workers often feel uncomfortable talking with the “clients”. We therefore try to respect this situation too and provide sufficient other avenues for them to express their needs or problems anonymously, like the complaint hotline.

6. Information Management

All our suppliers must fill out a questionnaire that provides us with all the information needed, including how many workers they have, what our leverage is and also whether they work with subcontractors – and if so, they need to fill in the names and addresses of these subcontractors. All of this information is also kept in a separate Supplier List (excel sheet) where we also mark whether there have been any complaints or an audit has been planned. A Corrective Action Plan (excel sheet) is set up following an audit, where we keep track of the topics needing to be worked on and the step-by-step improvements that have been made. We also use this document to communicate back and forth with the supplier. Currently we are working on setting up a database for our suppliers that will make it easier to gather and keep track of all the different information related to a factory whether it be FOBs or FWF related information. We hope to establish this over the coming months. Regarding subcontractors, we also make use of our common sense and our experience in the textile industry. During visits, we try to understand how the factory works and is set up and then evaluate if it fits to our production volume. If not, we will ask the supplier to determine whether they may subcontract parts of the production.

7. Transparency & Communication

We have created a new “Responsibility” button on our website, where we provide information about our brand-philosophy, our production countries, our textile chain, CSR in general and our FWF membership in particular. We have just very recently updated it with pictures of our suppliers from our last visit at the end of 2016 to give our clients an inside view of our production. Once it is finished we will post our Social Report there and the Brand Performance Check. We have announced the start of our membership with the FWF via social media and our newsletter and are planning to do so again once there is any update regarding our membership or CSR issues in general. We have included information about our FWF membership in our latest look book and catalogue.

8. Stakeholder Engagement

We are currently focusing on our FWF membership and are very happy to be able to work with and learn from the resources they provide, like country studies, health & safety checklists and other advice.

9. Corporate Social Responsibility

As a company based in Berlin-Kreuzberg, we also assume responsibility to not only support but also actively contribute to local projects. Among these projects is the football club Hansa 07 with whom we recently produced a T-Shirt against racism (<http://hansa07.de/fans-freunde/fanshop>) as well as refugee relief projects such as “Kreuzberg hilft” (“Kreuzberg Helps” – <http://kreuzberg-hilft.com/en>). We regularly support these projects with donations comprising either money or clothes.



10. 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. Worker 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

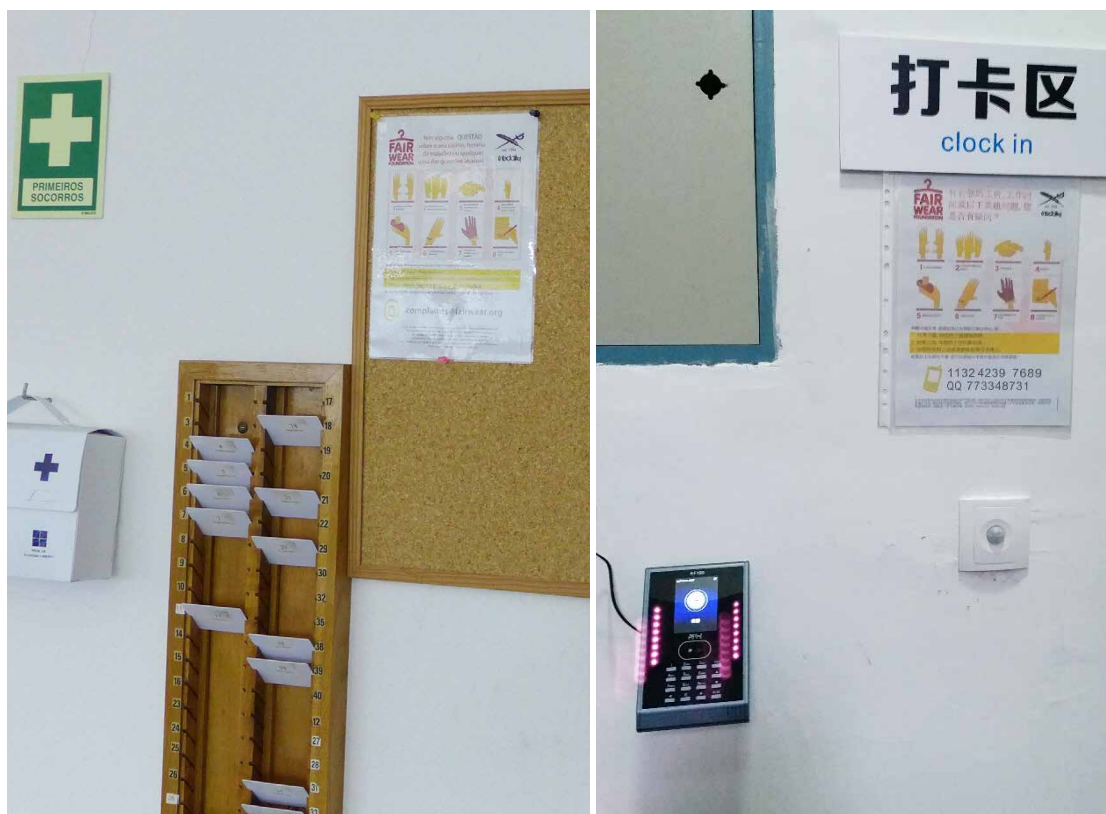
Fair Wear Foundation works with brands, factories, trade unions, NGOs and sometimes governments to verify and improve workplace conditions in 11 production countries in Asia, Europe and Africa. FWF keeps track of the improvements made by the companies it works with. And through sharing expertise, social 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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