



PAPTEX Textilhandels GmbH

Social Report

Reporting period 01.2019 – 12.2019

PAPTEX *maryrose* *mary's*

WWW.MARYROSE.COM

FAIR WEAR MEMBER SINCE 01.2016

Table of contents

1. Introducing PAPTEX Textilhandels GmbH __ 4

1.1. Organizational chart _____ 5

1.2. Paptex Corporate Social Responsibility (CSR) _____ 6

The production of the future _____ 6

2. Introducing Fair Wear Foundation membership _____ 8

2.1. Brand performance checks (BPC) _____ 8

2.2. Factory audits _____ 8

2.3. Complaint helplines _____ 8

2.4. Factory training sessions _____ 8

2.5. The Code of labour practices (CoLP) - eight labour standards _____ 9

3. Summary: 2019 goals & achievements ____ 10

4. Sourcing strategy _____ 11

4.1. Sourcing strategy & pricing _____ 11

4.2. Production cycle _____ 12

4.3. Factory relations _____ 13

4.4. Integration of monitoring activities and sourcing decisions _____ 16

5. Coherent system for monitoring and remediation _____ 17

5.1. TURKEY / Factory I _____ 17

5.2. CHINA / Factory I _____ 19

5.3. CHINA / Factory II _____ 20

5.4. CHINA Factory III _____ 20

5.5. CHINA Factory IV _____ 20

5.6. CHINA Factory V _____ 21

5.7. ROMANIA / Factory I _____ 21

5.8. INDIA / Factory I _____ 21

5.9. GERMANY / Factory I _____ 21

5.10. AUSTRIA / Factory I _____ 22

5.11. AUSTRIA / Factory II _____ 22

5.12. AUSTRIA / Factory III _____ 22

5.13. External production _____ 22

6. Complaints handling _____ 22

7. Training and capacity building _____ 23

7.1. Activities to inform staff members _____ 23

7.2. Activities to inform agents _____ 23

7.3. Activities to inform manufacturers and workers _____ 23

8. Information management _____ 24

9. Transparency & communication _____ 24

10. Stakeholder engagement _____ 25

10.1. Cooperation with local initiatives _____ 25

1.Introducing PAPTEX Textilhandels GmbH

Sector and production range

Wholesaling home textile company
Bedlinen, tablecloths, blankets, curtains, home decoration
and accessories

Established:

1990

Legal form

Ltd (GmbH)

Office location

Dornbirn & Carinthia (Austria)

Employees 2019

8

Clients

Leading furniture stores, retail and wholesale customers
in Austria, Switzerland and Germany
German market leader in the ecological textile sector

Own brands

Mary Rose high quality home textiles in upper price range
Mary's middle price range

Retail stores

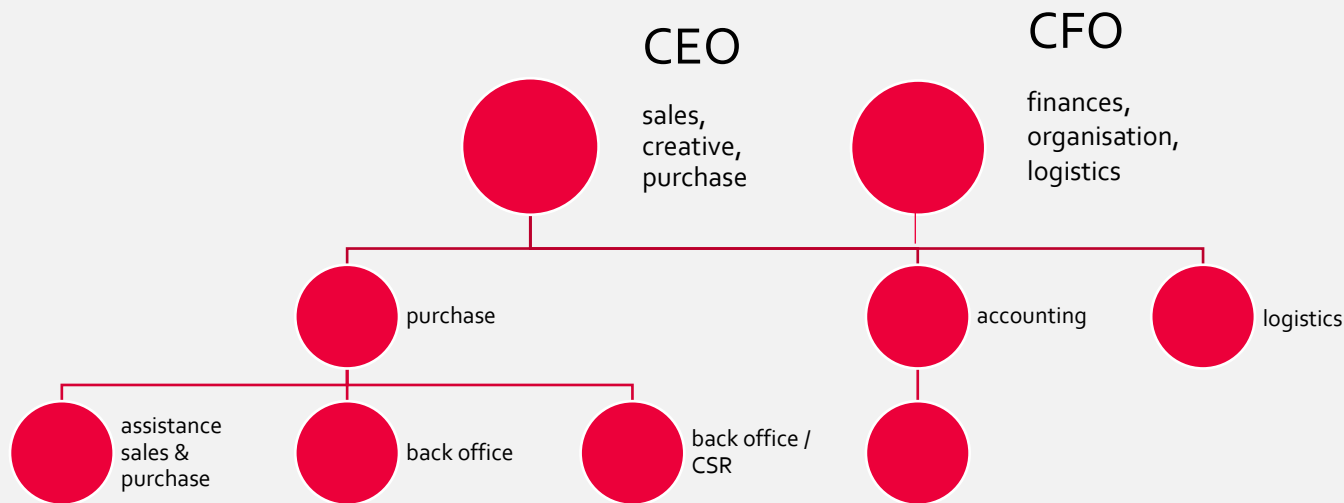
Mary Rose (Dornbirn, Austria)
Studio Tyrler (Innsbruck, Austria)

Production countries

Turkey (~ 67%), China (~ 30 %), Europe (~ 2%) India (~ 1%)

The logo for Mary Rose, featuring the brand name in a serif font with a decorative flourish underneath.The logo for Mary's, featuring the brand name in a serif font with an apostrophe.

1.1. Organizational chart



“After more than 30 years in business and so many things I had seen, a complete change of our mindset was needed. It’s not enough to tackle just one area - everything is interrelated and one area influences the other.”

Stefan Grabher, CEO

1.2. Paptex Corporate Social Responsibility (CSR)

THE PRODUCTION OF THE FUTURE

Four-Pillar-Principle of Sustainable Production by Paptex

Raw material

Production process

Social compliance

Climate neutrality

As a future-oriented company, we see it as our responsibility to bring a sustainable production model to the market with the four-pillar principle. This report aims at giving insight into our company's efforts regarding sustainable management.

As a wholesaler, in addition to our two shops, we also bring environmental awareness to the international market. We supply well-known furniture houses not only with our products but also with ideas and new methods for a more sustainable economy.

Our journey began with organically grown cotton, as conventional cotton cultivation has a great impact on the environment. In 2010, we decided to certify our organic cotton products by GOTS who works with globally recognized guidelines and inspections. The agriculture in the region of Pamukkale, where our organic cotton comes from, is traditionally geared towards ideal cotton cultivation, i. e. optimal water circulation, ideal climate, and preservation of the soil by mixed cultivation.

But we wanted to go beyond the standard of organic cotton certification and began to look at the circumstances of the workers in our productions. With the aim of creating the best possible working conditions, in 2016,

we became the first home textile member brand of the Fair Wear Foundation. In our view, the NGO has the best and strictest templates in terms of introducing and maintaining social standards.

In 2018, we took the next step towards holistically sustainable management by joining the regional Climate Neutrality Alliance "Klimaneutralitätsbündnis2025". We examine how we transport our goods from A to B, where we get our energy from and how we minimize our corporate footprint. In this context, we are currently working on a photovoltaic system on the roofs of our sewing shop in Turkey.

In order to close the circle of a holistically sustainable production, we received the Cradle to Cradle certified™ GOLD certificate in 2019, which closely examines the entire production process (materials, material cycle, renewable energy and climate, social responsibility and water) and awards it from Basic to Bronze to Silver, Gold and Platinum. We have already achieved platinum in two of the five points and gold in three others. With our GOLD overall rating, colour pigments, fabrics, sewing thread, buttons and product labels are biodegradable without residue.

In this report, we mainly focus on the pillar "social compliance".

*95% of our production is monitored

Overview of our four pillars of sustainable production:

Raw material

We are processing big amounts of cotton. Since 2010 we work with the, in our opinion, strictest and most accurate expert:

⇒ **GOTS (Global Organic Textile Standard)**

Production process

No harmful waste throughout the whole life cycle of the product
Everything is 100% bio-degradable

⇒ **Cradle to Cradle certified™**

Social compliance

Who makes our products and how are the working conditions? Here it's all about implementing and improving social standards

⇒ **Fair Wear Foundation**

Climate neutrality

What impact do our transport ways have? Here we take a look at environmental impacts beginning in the workshops.

⇒ **Klimaneutralitätsbündnis2025**

- most of our own brand and increasing no. of our client's brands goods are GOTS certified
- step by step transition to organic only

- 2019 launch of C2C GOLD certified bedlinen and terry towels
- working towards highest standard: Platinum

- first home textiles member brand
- 95% of our production is under monitoring
- Rated in the "good" category

- Five-step program:
 - Measure
 - Reduce
 - Compensate
 - Certify
 - Communicate

2. Introducing Fair Wear Foundation membership



In the following we briefly describe how Fair Wear works and what tasks we have as a member brand. Terms and definitions are explained throughout the report, as they occur.

The Fair Wear Foundation (FWF) is a NGO that aims to improve working conditions in the textile industry. All 130+ members commit themselves to work on implementing and improving eight social standards in the most labour intense parts of their supply chain (cutting, sewing, packing).

Four key activities make up the Fair Wear approach:

2.1. Brand performance checks (BPC)

The way we as a brand manage our textile production has an enormous influence on factory conditions. Every year, FWF reviews our effort by measuring how well we have assessed, identified and resolved issues with our suppliers. For example, they check if our production planning is realistic, making sure that there are no late orders or unreasonable deadlines that could lead to excessive overtime. The result is published on the FWF website as well as on our own website.

2.2. Factory audits

To improve working conditions, we need to understand exactly what is happening on the factory floor. That is why FWF performs factory audits in order to find out how well they comply with the **Fair Wear Code of Labour Practices** and then together with us they follow up to see how successful they have been at making changes. Go to page 16 (chapt. 5) to see how Fair Wear audits work.

2.3. Complaint helplines

When textile workers feel their rights are being violated, or when others see this happening, they can file a complaint via the FWF complaint helpline. For more information go to page 21 (chapt. 6)

2.4. Factory training sessions

Lasting change starts with empowering workers, and empowerment starts with education. The FWF Workplace Education Program (WEP) trains workers and management on the Fair Wear Code of Labour Practices (CoLP). (You will find an overview of our trainings on page 22-23.)

2.5. The Code of labour practices (CoLP) - eight labour standards

The basis of the collaboration between Fair Wear and a member is the Code of Labour Practices (CoLP). The core of this code is made up from eight labour standards (picture on right side) that cover everything from what constitutes a living wage to what are reasonable working hours and is derived from ILO Conventions and the UN's Declaration on Human Rights. This means the Fair Wear Code of Labour Practices is based on internationally recognised standards.

In order to do business with us, our suppliers must fill out and sign a questionnaire. Through this document we receive information about their production location i. e. number of staff, possible subcontractors, existing social audits and endorsement of the Code of Labour Practices.

In this report, we give detailed insight into our effort on implementing and improving these eight social standards at our partners' factories.



3.Summary: 2019 goals & achievements

2019 - the third year of our Fair Wear membership - was a year full of changes, development and learning. Our goals for this year were, among others, getting deeper insight into our supply chain, strengthening our existing business relationships and at the same time further consolidating our supply chain. On the long run, we aimed on working on decreasing overtime work and increasing wages. In this journey, last year we only made small steps, but we made many of them.

Here's a quick overview of what we have accomplished in the past financial year

- on-site visits of nine suppliers in China, Turkey, Austria and Romania, making around 89% of our total FOB
- deeper insight into our supply chain
- as a result visited two Turkish subcontractors
- several meetings with our suppliers, concerning improvements of labour standards and working conditions
- organized and visited two FWF audits in China
- attended 4 FWF webinars and several FWF related meetings and trainings
- designed and implemented an internal supplier evaluation system
- designed an "after-brand-performance-check" -checklist to follow up on our to do's
- saw a change in working hours and moved in a new factory building in China

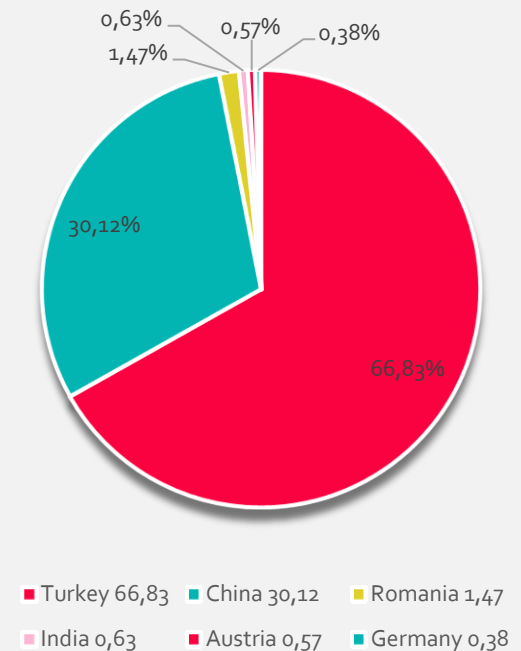
17
production
locations

6
countries

9
visits

2
audits

Production countries 2019
(as % of purchasing volume of textile products)



4. Sourcing strategy

4.1. Sourcing strategy & pricing

Sourcing

Our sourcing strategy is based and focused on long-term business relationships. We have already been working for more than 10 years with our two most important partners who make 85% of our total production volume.

As a strategy to increase our leverage and stabilise business, we are focusing more and more on this group of suppliers and step-by-step decrease orders at locations, where we have very little leverage and transparency is even more difficult.

Within the past years of being a Fair Wear member, our sourcing behaviour changed significantly. Orders cannot just be given to anybody as we choose our production locations wisely and according to certain criteria and experience.

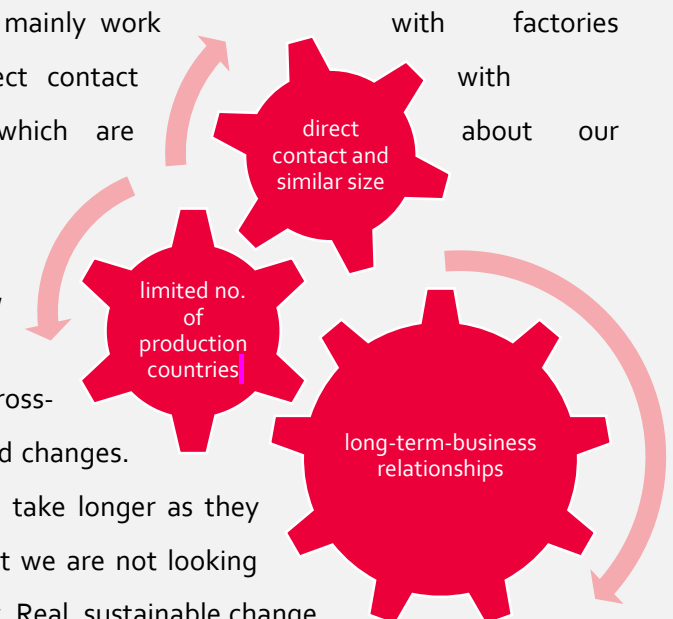
Origin is also an important part of our sourcing strategy. For example, the only so called “high risk countries” we work with are China, India, Turkey and Romania. The reason for this is that it enables us to focus on these

countries and the challenges that come with them. We don’t consider countries such as Bangladesh and Myanmar, not only for critical country specific reasons but also due to our growing focus on organic and sustainable production.

In addition, we also mainly work with factories where we have direct contact management and which are about our size (i. e. SMEs).

But most importantly, our strategy is to find and achieve holistic, cross-thematic solutions and changes.

These changes might take longer as they are more complex but we are not looking for a quick-fix anyway. Real, sustainable change takes time and we do not want to overtax our partners. In the end it’s teamwork, shared costs and joint success.



Pricing

When it comes to the costs for material, packaging and accessories, we mostly accept the prices given by our supplier. However, when it comes to price negotiations, open policy and dialogue are important to us. Negotiation happen solely based on raw material, stock and process optimization, but never on wages or at the workers expense.

If a customer specifies a target price that cannot be granted because of the given price, we try to reduce the product price, for example by using less complex/expensive applications or cheaper materials. Another possibility is to stock larger quantities and save in packaging and presentation. If this is still not possible, our client either accepts the higher price for the appropriate and requested quality or we don't offer the products. Price pressure is never a method we accept.

Support

As a result of the much higher interests in China and Turkey (between 10% and 15%) compared with Austria, we support our partners by pre-financing raw materials. This helps our partners in financing their business and enables them to keep a reasonable and continuous business. Further, when facing rate fluctuation we keep our prices to avoid putting our partners under pressure. If there are special situations in sourcing/pricing of raw material (for example the increased cotton prices

in 2017) we are not pushing our partners to reduce the labour costs in order to keep the price but pay extra

for raw materials. Our pre-purchase of cotton in Turkey also helps to keep price levels in times of an increase of raw material costs.

Furthermore, each year before Chinese New Year, we pre-pay our invoices to help our Chinese partners to finance the bonus payments for their workers.

4.2. Production cycle

In China we have two seasons – spring and autumn. An essential part of our collection from China is changing on a permanent basis. Usually, new products are developed together with and exclusively for a client. Together with our CEO each key account customer (80% of our turnover) visits our main Chinese partner. New collections are discussed openly face to face at a personal visit, which means that important decisions and adjustments happen directly at the producers' company. Furthermore, samples are defined during these visits. In CHINA Factory I, we have two sample tailors who work outside of normal production. That means nobody is teared out of production when samples are needed. After the client confirms the collection, we receive the final production planning and estimated time of delivery. The time from receiving a collection template/developing a new collection with a client until final shipment, varies between at least half a year to a year. Of course, there are also

smaller and less time extensive orders or re-orders that can be delivered after two to three months production time.

In Turkey we source less different articles. We also do not work on a seasonal base but on a yearly program. With our main partner in Turkey we have a yearly planning which is adapted to current marked fluctuations during the year. As, meanwhile, most of our products are GOTS or certified organic cotton, the change of products is much lower. Approximate yearly planning allows our partners to plan their work-force capacity. We try to keep high and low seasons in balance by focusing more and more on basic articles. Through optimisation in stock and sales planning, we optimise our price structure without influencing the labour costs of all our partners. In the course of our Fair Wear membership we have changed our assortment from "fashion" to mainly "basic". This enables us to purchase large quantities of raw materials, which can then be used as desired. We have also greatly increased our stock levels, which minimises bottlenecks and "last-minute orders". Moreover, we save costs and waste simplifying packaging (ribbon instead of poly bags, hangtag instead of inlays).

In general, we try to place orders as early as possible. In order to save time we often organize fabric and other needed material before the client placed the official order. If our requested lead times are too short, our suppliers inform us and we check with our clients whether new delivery

dates can be accepted. Sometimes we are also facing delays in production. If our client cannot accept the delay, we split orders and if not avoidable we get parts by air freight.

4.3. Factory relations

We did not select any new factories last year but got into more details with our existing subcontractors. For example, in Turkey we wanted to dig deeper into our supply chain and together with our partner we looked at what can be done in-house and what still has to be outsourced (due to lack of appropriate machines or capacity). In this course we visited two subcontractors, explained to them our Fair Wear membership, collected Fair Wear questionnaires and distributed worker information sheets to post them in the workshops. Our main supplier agreed to limit the number of subcontractors to a total of three. We found out that before we started working on this topic, three suppliers produced items of a certain product group. Now we are limited to only one that fits our concept and requirements best. Some items were ordered a long time ago, the agreement is that all repeat orders and new items of this article group will only be produced by this one subcontractor.

In China we also collected details about each item and discussed whether they can be done in-house. As a result, the majority of the former outsourced production could be shifted to in-house. It also helped our

partner to fill his new and larger factory building. Moreover, transport ways and therefore lead time could be reduced.

The list below gives an overview of all production locations that produced for us in 2019:

Social Report 01.2019 – 12.2019

1: overview active production locations 2019

TURKEY 66.83% of FOB	Type of articles	% of FOB 2019	% of FOB 2018	Leverage in %	Partner since	Last personal visit
Production location TR I	Bedlinen, tablecloth, curtains, cushions	59.49	58.5	85.0	2001	2019
Subcontractor TR I	Towels	2.70	-	0.01	2018	2019
Subcontractor TR II	Chair covers, fitted sheets	4.08	-	4.1	2017	2019
Subcontractor TR III	Blankets	0.56	-	4.0	2015	-
CHINA 30.12%						
Production location CN I	Curtains, cushions	25.41	27.9	16.8	2009	2019
Subcontractor CN I	Artificial fur	0.07	-	0.4	2018	-
Production location CN II	Curtains, cushions	1.75	4.33	30.0	2009	2018
Subcontractor CN II	Stitching	1.17	-	15.0	2008	-
Production location CN III	Blankets	0.41	0.80	2.0	2017	2019
Production location CN IV	Blankets	0.26	0.40	0.02	2015	2018
Production location CN V	Kitchen items	1.05	0.40	3.0	2018	2019
ROMANIA 1.47%						
Production location RO I	Fitted sheet	1.47	1.2	0.30	2011	2019
INDIA 0.63%						
Production location IN I	Tablecloth, curtains	0.63	0.01	3.15	2018	-
GERMANY 0.38%						
Production location DE I	Feather fillings for cushions	0.38	0.80	0.35	2007	2019
AUSTRIA 0.57%						
Production location AT I	Relabelling, repacking, filling etc.	0.5	0.80	5.0	2013	2019
Production location AT II	Feather fillings for cushions	0.04	0.10	0.28	2018	2019
Production location AT III	Stitching	0.03	-	15.0	2000	2019

4.4. Integration of monitoring activities and sourcing decisions

Within the last four years of our membership and monitoring activities we learned a lot about our partners. Not only about the working conditions in their factory but also about how open and willing they are to develop and improve.

In this course we also had to determine business relationships; but more as a consequence of several non-tuning factors such as quality, trust and reliability. We always give our suppliers several chances but if they still show little or no interest and we only have little leverage, we stop placing new orders and won't develop new articles with them. On the other hand, we reward partners who show effort and cooperation with ongoing and new orders and constantly develop new products with them. The outcome of an audit itself is not the most important factor when it comes to our sourcing decisions based on supplier code performance. We rather search for values such as experience, commitment and quality and whether a mutual interest in investing in the partnership and improvement is given.

In the past financial year, we developed a new supplier evaluation system where all relevant suppliers are rated by those who work regularly with them. The evaluation criteria range from quality to frequency of complaints to communication and reaction time etc. Then there is the

social compliance evaluation, which is carried out by CSR. Here the evaluation is based on criteria such as basic requirements, factory condition, audits, working on CAPs etc. Once the evaluation is conducted, the assessments are evaluated in summary form and sent to the supplier together with the comparative value to the other suppliers.

When it comes to testing new suppliers, we intend to communicate our FWF membership right from the start and share our intention to involve all our suppliers into the monitoring system.

Before we place final orders, we

- collect existing social reports,
- check if any irregularities arise,
- meet with the management, if possible,
- make a small sample order and
- then decide whether starting a business is reasonable or not.

Once we decided to start working with a new supplier and had a pleasing experience so far, we also plan audits and on-site visits. However, we are quite settled with our existing suppliers and optimise and strengthen business relationships with our existing main partners rather than looking for new suppliers.

5. Coherent system for monitoring and remediation

Monitoring activities such as collecting factory data, personal visits, factory audits etc. provide us with an understanding of risks and opportunities in our supply chain.

As already mentioned, we informed our suppliers about Fair Wear requirements in the first year of our FWF membership or before placing orders if it's a new factory.

Fair Wear monitoring requirements for its members:

- Collecting data (Questionnaire + signed CoLP)
- Worker info sheet posted in factory's workshops
- Factory visit at least once every three years
- Audit if production makes +2% of our FOB volume or +10% of the factories capacity (leverage)
- Verification audit 3 years after initial audit

In the past financial year, we visited several suppliers and conducted a verification and an initial audit in China.

Fair Wear Audits

Fair Wears local audit teams make their assessment through offsite and onsite interviews with workers, document inspections and health and safety inspections. They then share their findings and recommendations for improvement with the brand (us) and factory management. The brand and factory management create a corrective action plan (CAP) with a clear timeframe, keeping in mind that it may not be possible to solve every issue at once. It's then up to us and the factory to work together on resolving the issues. The Fair Wear Foundation reviews our progress in the annual brand performance check.

In the following we will give an insight on our monitoring activities, audit findings per labour standards and how we followed up. The order of the countries is descending according to the share of our textile production volume in 2019.

5.1. TURKEY / Factory I

In Turkey we source from one main supplier who makes up more than half of our production volume. A close and long-term business relationship with several personal visits, form the base of our good cooperation. Together we develop new items and other projects to optimise production through restructuring the building and investing in new production processes such as Cradle to Cradle. The factory was audited in 2013, 2016 and end of 2018. They attended two WEP basic

trainings and one advanced program (see chapter 7.3). Audit findings per standard:

No discrimination in employment

There was one finding on discrimination, which required to set up a recruitment and dismissal policy.

Safe and healthy working conditions

Not functioning emergency lights were replaced and health and safety trainings were held. Food samples were made and medical checks for Hepatitis for canteen staff had been conducted. There was one finding on women who had to carry fabric rolls up to 60 kg which caused waist, muscle and joint pain. After several discussions about how to solve this problem, the cutting section and the storage of the rolls were moved to one joint floor in the course of the reconstruction. In addition, a cutting machine was purchased, which lifts the rolls up and down.

Payment of a living wage

Wages are paid according to the local minimum wage but below estimates of a living wage by local stakeholders. We have been dealing with this topic for quite some time and have already worked out first goals and possibilities to finance it. However, these have not yet been implemented.



1: new cutting machine next to fabric rolls

Reasonable hours of work

It was noted that working hours of employees recorded in the production records did not match with attendance records provided.

Another finding regarding working hours was about security guards who worked excessive overtime hours. However, the finding could not be verified as they are not directly hired by the factory. Nevertheless, management responded by adding one person to the security staff, allowing shorter shifts. During our visits in the past year, we could verify that the security guards are constantly changing, and nobody is working excessive hours. Additionally, the attendance records were sent to us.

Legally binding employment relationship

As in the past audit already stated, it was found that social security insurance of the employees is provided 5 – 10 days after recruitment day. Until this day we don't know the exact reason behind this matter, but management assured they will improve. This could not yet be verified as there have been no new recruitments so far.

Two other inconsistencies concerning this social standard were resolved by revising the employment contracts.

There were no findings in other standards.

Subcontractors

As mentioned in chapter 4.3 the factory makes use of three subcontractors. Our monitoring activities there consist of filled out

questionnaires, posted worker information sheets in the local language and so far two personal visits.

5.2. CHINA / Factory I

CHINA / Factory I is our main Chinese partner who makes up around 25% of our total production volume. The factory was audited by Fair Wear for the first time in 2016. In the past financial year, they had their verification audit which took place in the new factory building to which they moved at the beginning of 2019. Our CSR officer was also present during the audit.

Since the last audit in 2016 and with the new building the factory has made major improvement and showed great effort and cooperation in terms of working on social standards. The auditor also complimented the factory for its high standard workers dormitories and wage levels compared to the industry. There were findings in following standards:

Safe and Healthy working conditions

Payment of a living wage

Reasonable hours of work

Legally binding employment relationship

Further issues were found in the factory communication.

We received the audit report in October and discussed the findings, especially those with high priority during a personal visit in the same month. Management agreed to work on all topics. We received first improvements at the beginning of 2020 and therefore will report about the specific findings and improvements in next year's social report. During our several-day visits in 2019, we noticed some changes compared to the other years. For example, the building was completely empty from 6 p.m. onwards, as everyone had finished work. Furthermore, the quality of the canteen has improved immensely, the indoor climate is much better and it is brighter due to better light (and many more).

Subcontractors

As already mentioned in chapter 4.3 we were able to shift former outsourced production to our main partner. In the past year we ordered synthetic fur for our shops which is produced by a



2: Paptex CEO&CFO meeting on the implementation of FWF standards at CHINA / Factory I

subcontractor of the CHINA / Factory I . They filled out the questionnaires and posted the worker information sheet in the local language.

5.3. CHINA / Factory II

As already reported last year, working with this factory in terms of social standards is quite challenging. We have no direct contact, our intermediary shows very little cooperation though the factory management is willing to improve. As it is a very small, simple and old factory the audit in 2018 revealed several findings on health and safety. Some of them could already be resolved (see social report 2018) others still remain open. Same with the other findings concerning following standards:

Safe and Healthy working conditions

Payment of a living wage

Reasonable hours of work

Legally binding employment relationship

Further issues were found in the factory management system and communication and consultation.

We tried to follow up as much as possible but in July our intermediary stated, the factory is very busy these months and cannot further work on improvements. After several attempts we received wage records but since

then we received no reply on any requests. As we still make up 30% of the factories production capacity we cannot just terminate our business relationship. Thus, slowly but surely we are reducing orders and stopped developing new items.

Subcontractor

As this is a very small factory they outsource parts of stitching to a sewing factory. The subcontractor filled in the questionnaire and posted the workers information sheet in the local language.

5.4. CHINA Factory III

With only 0,41% of our production volume and 2% leverage this factory does not need to be audited. Our monitoring activities consist of a filled out questionnaire, posted workers information sheet in the local language and a personal visit in 2019.

5.5. CHINA Factory IV

This factory was audited by FWF in 2017 and participated in a WEP basic training in 2018. We reported about them in our last years social report. With only 0.26% of our production volume and 0,02% leverage it is not possible for us to influence payment of living wages and working hours.



3: Factory visit 2019 CHINA / Factory III

5.6. CHINA Factory V

Though this factory makes only 1.05% of our production volume and with 3% our leverage is far below 10%, factory management appreciates us as a client and agreed to have a Fair Wear audit. Our CSR officer was also present during the audit.



4: Quality checking, visit 2019 ROMANIA / Factory I

There were findings in following standards:

Freedom of association
Safe and healthy working conditions
Payment of a living wage
Working hours
Legally binding employment relationship

Furthermore, there were issues found in factory communication.

We received the audit report in October and forwarded the report including the CAP right away to our intermediary who

visits the factory regularly. We received first improvements in 2020 and therefore will report about the specific findings and improvements in the next year's social report.

5.7. ROMANIA / Factory I

With 1.47% of our production volume and 0.3% leverage this factory does not need to be audited. Our monitoring activities consist of a filled out questionnaire, posted workers information sheet in the local language and a personal visit in 2019. The factory has various certificates and is audited regularly by the SA8000 standard. They shared the audit report with us.

5.8. INDIA / Factory I

Though this factory makes only 0.63% of our production volume and our leverage is only 3.15% we audited the factory after starting business in 2018. The results and also the subsequent CAP processing were very satisfactory. We reported about it in detail in our last year's social report. Though we planned to visit the factory in 2019, our schedule did not allow it.

5.9. GERMANY / Factory I

We reported about this production location and the difficulties we had in terms of transparency and cooperation in last years social report. With AUSTRIA / Factory II we found a good replacement but as they produce these items in much higher and certified quality they are consequently more expensive, which makes it difficult to switch all at once. Though we plan to do so within the next year.

5.10. AUSTRIA / Factory I

AUSTRIA / Factory I, is an organisation that supports people with disabilities to actively get involved into society and works towards improving their quality of life by providing them work. The workers there fill some of our cushions with millet, spelt and/or stone pine and carry out re-packing and re-labelling jobs. They are located in our town, which supports close contact. In the past financial year, they were at our quality control and also with our CEO. They posted the German version of the



5: visit 2019 AUSTRIA / Factory III

workers information sheet and filled out the questionnaire as required.

5.11. AUSTRIA / Factory II

After some failed attempts and a personal visit in 2019 the factory management finally filled out the questionnaire and posted the workers information sheet in their workshop. Therewith all monitoring requirements for low-risk countries are fulfilled.

5.12. AUSTRIA / Factory III

AUSTRIA / Factory III is a former garment factory that once had 20 tailors. Since

clothing and textile production has been moved to low-wage countries in recent years, only one tailor is now employed. During our last visit in 2019, the factory owner stated that due to our loyalty and willingness to pay higher prices, he was able to hire a former employee. We are planning on a bigger project which would make up 80% of the leverage. They are a very good sample tailoring factory, which we highly recommend to other members.

5.13. External production

We don't buy finished goods from other brands.

6. Complaints handling

Fair Wear created a helpline for workers to complain if they face violation in any of the eight labour standards. The helpline contact (either phone or email; depending on country) can be found on the worker information sheet, which is posted in the workshops. In case FWF receives a complaint, they immediately launch an investigation and require us to work with the factory to fix the problem. This process usually involves factory management and worker representatives, and FWF encourages us, as a member brand, to identify and address the root causes of the problem to ensure it doesn't happen again. To maintain transparency, every complaint is posted on the FWF website.

To train the workers on the FWF complaint system we conducted WEP trainings in Turkey and China and informed them via the worker information sheet or by audits.

So far, no complaints have been filed at our factories.

7. Training and capacity building

7.1. Activities to inform staff members



6: Gender based violence training (CH)

To increase knowledge about our FWF membership among our company's staff, in the first year (2016) every staff member received an info mail and was informed verbally. Additionally, detailed info sheets are freely accessible on our shared computer server. Since we are a small company in terms of personnel, all employees are regularly verbally updated. Training for our wholesale and retail employees is planned for 2020.

In 2019, the CSR officer attended various FWF training courses such as gender-based violence, sourcing in Turkey and Webinars etc.

7.2. Activities to inform agents

In the past financial year, we worked with two intermediaries who are responsible for, in total, five of our production locations. They are our contact to the production facility and are therefore directly involved in audit/training planning, information gathering and personal visits. All of them are informed about the Code of Labour Practices either by information sheets or verbally during personal visits and meetings.

7.3. Activities to inform manufacturers and workers

FWF Workplace Education Program

Fair Wear developed a training program for workers and factory management that provides a basic introduction to FWF's Code of Labour Practices as well as the FWF complaints hotline and other grievance mechanisms. WEP Basic is available in Bulgaria, China, India, Macedonia, Myanmar, Romania, Tunisia, Turkey and Vietnam. The trainings are conducted by special trained FWF staff and held in the local language. After the training we, the brand, receive a report that covers the course of the training as well as out-comings, highlights and possible complaints. So far, four of our active suppliers had a WEP basic training.

Besides the basic training, FWF also offers "advanced" trainings such as "Violence and Harassment Prevention" and "Communication".

In 2019, our main Turkish suppliers attended the WEP "Communication" where they were trained on topics like elements of effective

communication and factory dialogue at workplace (communication and productivity, and establishing effective grievance mechanisms).



7: Communication training in Turkey

According to the training report the participants showed interest in all the topics of the training and enjoyed the role plays the most. Their current internal dialogue system contains of workers' representatives, grievance boxes and an open-door system. All complaints are evaluated in a detailed way and the feedback is provided via announcement board or to the worker personally.

8. Information management

As already mentioned in chapter 4.3 we discussed the topic directly with the suppliers in order to identify all production locations. Transparency and trust on both our and our partners' side and explaining why we want to know about all locations is key, in order to receive information. In addition, personal and regular factory visits over several days help to get an insight on the production. During these visits we also address specific topics concerning the implementation of the Code of Labour Practices. Together with our partners we look for solutions. The most important point in order to achieve sustainable improvement is to have the factory management on board. They need to "see" the issue and experience the positive effects across the board that come with it.

We keep track of the progress on the implementation of the Code of Labour practices by our CAPs (see chapter 5), verification and conversations during visits and by email communication.

9. Transparency & communication

Also, in 2019 we informed locals on a regular basis about our membership and sustainable products. This happened by means of newspaper articles, several Facebook and Instagram posts and on our website. Additionally,

we publish our Brand Performance Check and social report every year on our website. Our retail customers receive Fair Wear Flyers in our shops and moreover, sometimes they are distributed during wholesale meetings. Our CEO puts great effort into raising awareness among our wholesale customers by informing them about our membership,



improvements and the impact we have on our workers' lives and product quality.

8: Instagram post February '19

10. Stakeholder engagement

In the past financial year, we made use of FWF Country Studies and member updates for example on current situations in Turkey. We also participated in the annual FWF German and Swiss member meeting (as there is no meeting for Austrian members).

Further, besides a Fair Wear Foundation we are also an amfori BSCI (Business Social Compliance Initiative) member. BSCI is a code of

conduct based on conventions of the International Labour Organisation (ILO) and the UNO's human rights declaration.

10.1. Cooperation with local initiatives

We have been partnering with and supporting the workshop of **"Lebenshilfe Vorarlberg"** for many years. The aim is getting people with disabilities actively involved into society and working towards improving their quality of life. The workers there fill our cushions with millet, spelt and/or stone pine. Among others, those filled-cushions are purchased by a client who is also a FWF member. Workers from "Lebenshilfe" also carry out jobs like relabelling and repacking.



What is more, we regularly work with the local labour foundation **"Kaplan Bonetti"** that helps people who face long-time unemployment and social issues to get back into working life.

