



**blutsgeschwister**

## **SOCIAL REPORT 2018**

Reporting period 2018:  
January – December





Start date membership:  
**JUNE 2013**

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*“The quality of a garment is not just measured by its appealing look, but by it’s decent and socially sustained working conditions.*

*We want to attract customers who are like-minded, engaged and support our ways of implementing fair labour conditions along our value chain.*

*We may not be able to change the consumer behavior of mankind, but we take part in a systemic change and we are proud to contribute to the change of the industry standards gradually.”*

Karin Ziegler, CEO & Head of design



## SUMMARY: GOALS & ACHIEVEMENTS 2018

We joined the Fair Wear Foundation (FWF), an independent multi-stakeholder initiative committed to improving working conditions in garment factories, in 2013. Back then it has been and today still is important for us to work with the organisation and its stakeholders by implementing improvements collectively rather than just on our own.

We do not believe in implementation of fair labor conditions without verification, so we rely on FWF'S third-party verification for ethical business practices.

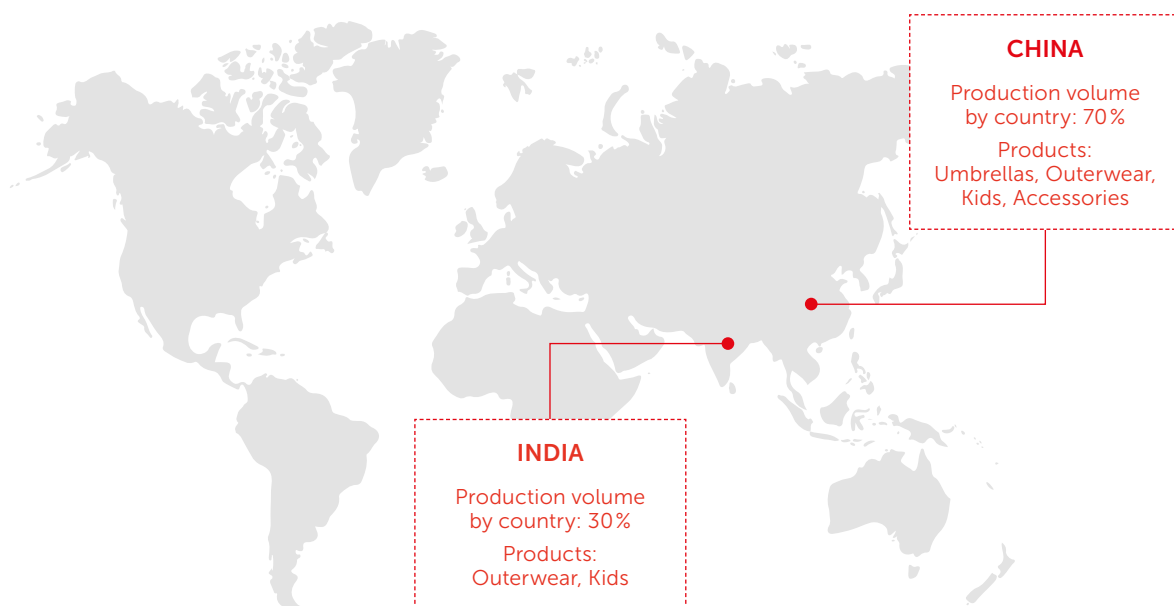
Looking back at five years of FWF membership means looking back at a five-year process of learning, investigating, trying, failing, achieving, implementing. We are monitoring our factories with direct and indirect business relationship for all processes after fabric production. While all our long-standing partners have achieved an overall awareness of labour rights and are cooperating well in the steps of implementing FWF principles and requirements we have lost some partners along the way who were unwilling to show real commitment.

Every year, the Fair Wear Foundation conducts a brand performance check at all FWF member brands, a performance benchmarking system that evaluates the performance of each brand after each year. The systemic approach makes individual performances comparable and gives guidance for improvements in the field of sourcing strategy, purchasing practices, monitoring systems, complaints handling, information management, transparency etc. There are categories in the performance report and Blutsgeschwister has managed to stay in the highest category "Leader" since 2016.



Every year, we set new goals to achieve improvements and to keep strengthening workers' rights. A very important matter for us is preventing women from workplace harassment and gender-based violence. We have been engaged in this matter for some years and in 2018 we have taken on the role of gender ambassadors by sharing our experience in fighting and preventing gender-based violence and harassment at the workplace with other FWF member brands at the German Stakeholder Meeting and in a joined workshop with by Femnet e.V. at the conference of Fairschnitt Sewlutions 2018. Our suppliers in India were inquired to participate in a research study that seeks to understand how well "the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act" has been implemented after its introduction in 2013.

We set up Workplace Education Trainings for workers in China, but we also held trainings for our internal staff and sales agents. We set up four audits - two in India and two in China. We received one complaint via FWF complaint hotline from a long-standing partner from India, which remediation we were engaged in. We had several meetings with another FWF member brand that we share production locations with, we travelled frequently to visit our partners in India, China but also started sourcing in Europe, visiting potential new suppliers in Italy and Portugal. We attended the annual conference hosted by Fair Wear Foundation in Amsterdam and have been working hard on gaining insight on how our purchasing prices are built, continuing our open costing pilots in India and China.





# 1. SOURCING STRATEGY

## 1.1. Sourcing strategy & pricing

Our collections are designed with our heart and soul in Berlin Kreuzberg and we take special care and dedication for details we create from patterns to prints, pendants, buttons and embroidery. We spend time and carefully select production partners all over the world that help us in delivering a valuable product.

We take our commitment seriously and focus on:

- ♥ cooperative and trustworthy relationships with suppliers
- ♥ clearly defined working, quality and environmental standards
- ♥ remediation and transparency
- ♥ producing high-quality products

Blutsgeschwister focuses on long-standing relationships selecting suitable suppliers with high expertise in different countries. About 70% of our production volume is manufactured in China and about 30% of our production volume is made in India. Most of our styles demand an advanced workmanship level as we often design to mix materials and create unique CAD patterns. The longer the cooperation, the easier and smoother our processes become. In our experience, consistent cooperation and mutual understanding is the only way to keep track of the working conditions abroad.

We have a shared forecasting system with our suppliers that offers a stable and reliable production planning. Our long-term commitment to our suppliers is the fundament for a trustful relationship. In the past years we have repeated orders

with constant or increasing order quantities, we have on-going exchange about reasonable hours of work and overtime issues and how our lead times can help to avoid those. We know the peak and low seasons at our production locations and we shift delivery dates if necessary e.g. Accessories which are more flexible for publication in our stores, so our suppliers can add it to their production planning to favor continuous work at the production line and with a separate delivery date.

We source for specific purposes such as launching new products that need special skills. All contacts to new suppliers, received either through solicitation or recommendation, are kept in an internal database that we update regularly so that suitable partners can be evaluated from this database whenever needed.

Buying and designing are strongly linked in our company, so both tasks are performed in our product development team. We set great value to stipulate market-compliant and appropriate prices.

Most suppliers hold various certificates e.g. the quality management certificate ISO 9001, the environment management certificate ISO 14001 and standards for social compliance SA 8000 and BSCI.

Potential new suppliers are being informed about our Fair Wear Foundation (FWF) membership and the Code of Labor Practices before we place the first order. Willingness to commit to those standards is key to start a cooperation. Once we receive proto samples we send target prices to our suppliers. We build our targets based on experience and repetition of product groups and are exchanging pricing sheets with our suppliers. Based on that we start negotiations. If buying prices cannot meet our expectations we are considering adjustments in design, pattern and material in accordance with supplier's proactive suggestions.

We have informed all our Tier 1 suppliers and their subcontractors of our FWF membership by sending the FWF Code of Labor Practices and a supplier questionnaire. By signing, the suppliers agree to endorse all labor standards and are willing to be audited at any time. We are encouraging all suppliers to commit to have on-going business relations with subcontracted factories just as we have with them. Many of our subcontracted sites have been long-term partners with the Tier 1 supplier, but there are others where new subcontractors play a role for new styles and these new business relationships need to build up with time. During our visits every year the selection and use of subcontractors is an on-going topic and regular visits to these sites are a shared agenda between Tier 1 suppliers, agents and Blutsgeschwister CSR staff.

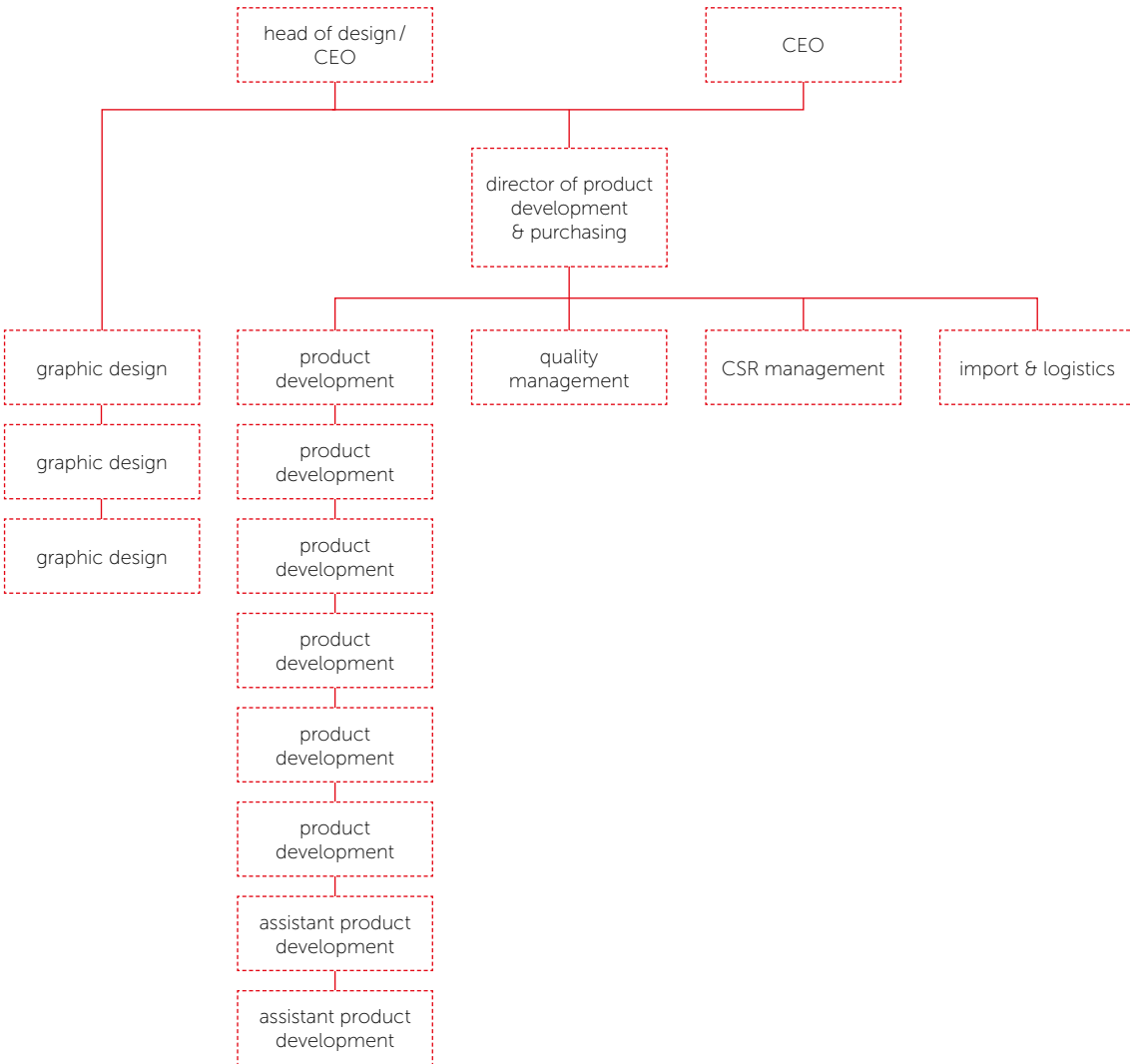
In the past financial year, we elaborated our purchasing strategy by establishing transparent costing with two of our long-standing suppliers in China and India to learn about the consistency of wages, material and labor minute costs. During our visits to the production countries the aim to include all our suppliers in the transparent costing scheme has been anticipated rather with hesitation. We agreed to taking small steps to achieve more transparency in costing on the long term. We would like to convince all our business partners of the benefits of more transparency by being consistent and reliable.

## 1.2. Organisation of the sourcing department

We strive to source as responsible and sustainable as possible and expect our suppliers to comply with local regulations and national laws. In all steps of our supply chain, the suppliers shall comply with our requirements for working conditions, the physical parameter list and the Blutsgeschwister restricted substances list, which is based on the REACH regulation.

Our sourcing practices are carried out by our product development team. Our head of design and our director of product development are planning our collections and choose suitable suppliers for each group of styles, for each theme of collection.

Every supplier has an expertise in a range of products and that is the basis for distribution of styles per supplier per season. An estimation of production volume is done to make sure the bulk production is manageable for our suppliers. Our objective is to strengthen the business relations with our existing suppliers and to reward them by gradually increasing their order volume. Our struggle is that our order volume is bound to customer demand.



### 1.3. Production cycle

We have ten collections per year for women's outerwear, with five each in winter and in summer season. The collection framework consists of three solid themes per season and an additional theme derived from well-ordered styles of themes 1, 2, 3 or previous collections. Many styles in this additional theme 4 are altered by remaining workmanship and adding new fabrics, using print screens that have been developed and used before. For our Tier 1 suppliers it is a way of getting more order volume without having to adapt to a new style or workmanship. For us it is a good way to gain more flexibility and a responsiveness to the market situation.

The pre-delivery is a small capsule of essentials, our basic collection with repeated styles.

Our product groups for summer and winter collections in themes 1, 2, 3 include a small-scale Kids and Accessories Line. With our business partner KNIRPS we develop a small-scale production of umbrellas twice a year with selected artwork from our women's outerwear lines.

Our director of product development sets up the production cycle as a shared forecasting system with the suppliers. Country-specific festivities such as Chinese New Year and Diwali Festival are considered when planning the production cycle for the whole year to avoid excessive overtime and to guarantee consistent lead times.

For theme 0 and theme 1 we have a shorter lead time compared to all other themes, but we guarantee a minimum of 12 weeks for all delivery dates. The production quantities are related to the order quantities. Our order period for sales agents and retailers is seven weeks starting from mid-January for collection fall/winter and beginning of July for collection spring/summer. Our director of product development forecasts the delivery dates and the shipping method with our import & logistic manager and the

suppliers confirm or suggest alternate dates after receiving the breakdown of production order. Sometimes suppliers are concerned about tightness of delivery schedule at an early stage, so we can reschedule the delivery date or plan to split the delivery to provide them with the needed production lead time. We prefer to ship all our deliveries by sea, but if the production time is too tight we have the possibility to switch to sea/air or train to ensure longer lead times.

To enhance the lead times, we placed the bulk order two weeks earlier than in previous years. We also have been optimizing minimum order quantities. This way our company tries to ensure that our production planning system supports reasonable hours of work.

Each production cycle starts with a proto sample and after release of comments from our product development team the supplier sends Salesman Samples that our Sales agents use for pre-orders and our marketing team uses for photoshootings. Since Salesman Samples (SMS) resemble the final product only few amendments are done after receipt of SMS. Our product development arranges the final release of size set comments before or at the day of the production order breakdown to our suppliers to assure forecasted lead times can be kept.

## Production cycle 2018

Theme Description	THEME	January	February	March	April	May	June	July	August	September	October	November	December
Pre-Delivery 181	0												
Spring 181	1												
Summer	2												
Holiday 181	3												
Repeater 182	4												
Pre-Delivery 183	0												
Pre-Fall 183	1												
Fall 183	2												
Winter 183	3												
Repeater 184	4												
Pre-Delivery 191	0												
Spring 191	1												
Summer 191	2												
Holiday 191	3												
Repeater 192	4												
Pre-Delivery 193	0												
Pre-Fall 193	1												
Fall 193	2												
Winter 193	3												
Repeater 194	4												
Pre-Delivery 201	0												
Spring 201	1												
Summer 201	2												
Holiday 201	3												
Repeater 201	4												

■ Start Sampling 
 ■ delivery Date SMS 
 ■ production order time 
 ■ warehouse arrival in Germany 
 ■ sales launch

## 1.4. Supplier relations

We focus on long-term business relationships with our suppliers because they pave the way to long-term success. We have known all our agents for more than six years and have been working with some of our Tier 1 suppliers for more than five years. We understand that honesty, respect and liability are the pillars of a trustful cooperation.

As a strategic decision, in 2018 we started sourcing in Europe, conducting due diligence in countries like Poland, Italy and Portugal. We as a company are aware of specific risks in newly sourced countries and we make sure to make time for proper risk assessment before starting a new collaboration. Precautions regarding sourcing and monitoring are based on country studies, CSR and other stakeholder consultancies within the new region or country. Blutsgeschwister representatives visit the production location, meet with agents and factory management, whilst assessing health and safety risks, checking existing audit reports and pre-assessing subcontracted production locations. A supplier questionnaire is required to be filled out and signed, and worker information sheets with the local complaint number are required to be posted in the workshops. The general management, the director of product development and the CSR manager of Blutsgeschwister take decision in new business relationships together.

In the past financial year, we had no intention of terminating business relationships yet experienced the withdrawal of one Tier 1 supplier in the middle of the production cycle due to uncooperative behavior and on-going issues between him and our agent. We have been working with this agent for six years and they helped us to switch the styles to a new and well-selected production site to fit the timeline of our production cycle. Extended due diligence was placing the first order and included meeting the general manager, a factory tour with a health and safety assessment and an agreement to an audit by the Fair Wear Foundation even before the start of production.

Later that year, our monitoring activities of one long-standing Tier 1 supplier and our efforts in remediating have not led to improvements after many seasons, so we concluded to take actions towards terminating the relationship by the end of 2018, with step-by-step dismissal following our responsible exit strategy. We faded-out at the end of the production cycle with the production of lastly ordered goods.

## 1.5. Integration monitoring activities and sourcing decisions

We evaluate the results of our monitoring activities after every season under aspects of overall cooperation, quality, sampling, production, pricing, delivery and compliance. The meetings are held between the CSR manager and the product development team at Blutsgeschwister. The outcomes of our monitoring activities only influence our sourcing strategy partly due to our close circle of suppliers with each supply mandatory for our collections we observe and rank our cooperation and take responsibility in communicating evaluated issues with our suppliers.

To integrate the follow-up of Corrective Action Plans in purchase decision-making Blutsgeschwister's CSR manager is involved in decision making processes for new product groups, new production sites and for reselling of external brands and keeps in close exchange with the CEO and with the director of product development. Regular meetings are held, and protocols are kept on file to ensure a responsible way of sourcing.



## 2. COHERENT SYSTEM FOR MONITORING AND REMEDIATION

Blutsgeschwister's monitoring system includes factory audits by FWF, the execution of corrective action plans (CAPs), self-assessments by suppliers, informing manufacturers and their employees about the code of labour practices, filing and signing questionnaires, a complaint procedure that involves workers in the monitoring of working conditions in the factory, annual factory visits and consultations and are substantial features on the agenda of our CSR manager. The use of information from FWF country studies and the outcomes of FWF's consultations with local organisations are essential for the establishment of our coherent monitoring programme.

### 2.1. Factories A – G/China

Blutsgeschwister's sourcing activities in China started fifteen years ago and the country with the highest population in the world has preceded rapid yet unbalanced growth over the years with booming cities and underdeveloped regions remaining. The majority of workforce in our factories consists of migrant workers who come from

the country side to the agglomeration where the textile production is based. The Chinese social insurance system is not supporting the migrant workers and the workforce turnover rate is differing highly between 10% and 33% in our factories. Reasons for the high turnover are that more job opportunities are available, workers compare



working conditions with other factories or choose to go back to their hometown for career development. Excessive overtime is found frequently, and freedom of association is restricted by law. Statutory minimum wages are not consistent in China. They are set by the governments of the individual regions and provinces and differ from factory A to factory B, B to C and so on. While we at Blutsgeschwister struggle most with the status

quo of excessive working hours, a nationwide lack of ergonomic programs and payment below living wage estimates for a regular working week as a contrary to the widespread industrial norm, our suppliers struggle most with the lack of skilled workforce as most of Chinese younger citizens career ambitions do not include becoming a blue-collar worker.

#### **Factory A/China:**

The percentage of our total production volume sourced from factory A is approximately 23%.

The factory is in an urbanized area and has been visited in 2018 by our CSR manager. During the factory visit there has been discussion of code implementation, health and safety aspects and the follow-up of the corrective action plans. No complaint has been filed for the past financial year. We share the factory with another FWF Member brand.

Together we have been working on the follow-up of the corrective actions from the last audit report. The cooperation between the FWF member brand and Blutsgeschwister runs smoothly and we share the FWF audit report, communicate regularly about the follow-up of corrective actions

and coordinate our travel plans. We selected a leader brand to address common interests towards the factory for easier and systemic communication.

In 2018 we were particularly engaged in analyzing root causes for excessive overtime and promoting worker representation and social security benefits.

By the end of the year, Fair Wear Foundation indicated a verification audit at the factory to evaluate our shared progress of the CAP follow-up.



### Factory B/China:

The percentage of our total production sourced from factory B is approximately 11%.

The factory is a subcontractor of factory A and a shared location with another FWF Member brand. We share a common FWF audit report, follow-up on corrective actions and have selected a leader brand in communication with the factory.

Based in a rural area the factory has been visited in 2018 by our CSR manager and during the factory visit we have reviewed and discussed the implementation of the corrective action plan resulting from the last recent audit report in 2017.

Some of the remaining issues were light and production tables were not aligned, exit signs were missing or put up incorrectly. No proper book-keeping about the working hours was in place so that we could not draw any conclusions about the amount of overtime worked and the payment of such. The HR manager of factory A, who joined us for the visit, offered to help set up a proper book-keeping system at factory B and gladly both factories agreed to the work with each other towards implementation of corrective actions. No complaint was received in the past financial year.

### Factory C/China:

The percentage of our total production volume sourced from factory C has extended to approximately 2,5% in the second year of business. It is a subcontracted factory to our factory A with a workforce of sixty-six workers in total. The factory has been visited in 2018 by our CSR manager accompanied by agents and staff of factory A.

A few months before this visit we initiated an audit by FWF. It was the first time the factory management has ever experienced an audit. The report revealed the informal way of running a business. Yet the management showed a lot of interest and willingness to discuss the outcome and to work on the implementations of the resulting corrective actions.

The most important findings of the audit per labor standard are...

#### Employment is freely chosen

There was no indication that would lead to the conclusion that employment at this factory is not freely chosen. The management does not withhold any original documents and workers are free to leave the factory when they are off duty.

#### No discrimination in employment

No evidences on discrimination were found during the review of worker personal files or factory's policies and documents. There is no evidence of discrimination based on provincial origin, sex, religion, race, etc. during recruitment or during

continuous employment. Payment is equally based on efficiency, skill and hours of work. Workers are promoted according to his/her capability rather than religion, sex, race etc. and feel they are promoted based on their capability. Female workers are not required to take pregnancy test before or during their employment.

#### No exploitation of child labor

The HR department checks the authenticity of the I-cards of all candidates during the hiring process to make sure of their legal age to work and if they are using their own I-cards. Management and workers stated all employed workers are above 18 years old, however, document inspection revealed that the factory had 66 employees at the time of the audit, but personal registration form of 40 workers and I-card copies of only 12 workers were maintained. The age record of other 54 workers were not archived therefore the documented age records of workers could not be verified.

#### Freedom of Association and the Right to Collective Bargaining

No trade union or workers representatives were available at factory. No collective bargaining or CBA (collective bargaining agreement) is maintained and no worker strike has ever taken place in the factory.

#### Payment of a living wage

There are no wage records of workers who are under supervision of labour contractors. Workers are not entitled to paid annual leaves or statutory holiday leaves. Wages are paid to workers based on order-to-order basis instead of a fixed period. The management does not maintain worker attendance or complete wage records. Therefore, the accuracy of wage payment for the hours worked including premium overtime could not be fully verified.

#### Reasonable hours of work

No proper system is in place to evaluate exact hours of work. According to management workers are not required to record their working hours as they are paid on piece rate basis. As a result, the actual working hours including overtime hours could not be fully verified.

#### Safe and healthy working conditions

The small factory operates its business not very formally and has not set up a system to monitor the health and safety conditions in the workshop. The management had low awareness of social compliance expectations under health and safety and No trained first aid personnel was available in the factory.

#### Legally binding employment relationship

The document inspection revealed that the factory does not maintain a labour contract with its employees and that none of the temporary workers have an agreement on employment. Neither management maintains any records pertaining to their attendance and payroll. No worker is provided with social security benefits. As many of the labor standards could not be verified, Blutsgeschwister has talked extensively with the factory management to keep proper documentation and to set up their business more formally and aligned with regulations. Blutsgeschwister has taken the trading agency into responsibility to help the factory set up a well-adjusted monitoring system to promote accuracy in bookkeeping as a starting point to work on all implementations. It is planned to conduct a verification audit approximately by the end of 2019.



#### **Factory D/China:**

The percentage of our total production volume sourced from factory D is approximately 17%. The factory is in an urban area and has been visited in 2018 by our CSR manager. During the visit and factory tour health and safety measures were taken together with the general manager and long-term partner of Blutsgeschwister. Along with the general discussions of the corrective action plan, a root cause analysis for excessive overtime has been made and a questionnaire to promote social dialogue has been filled out between management, human resources, production manager and worker representative of the factory. To foster awareness about the Code of Labour Practices we agreed on a Work Place Education Training. It will be the second training at the factory and workers and management will be trained separately.

No complaint has been filed for the past financial year.



#### **Factory E/China:**

The percentage of our total production volume sourced from factory E is approximately 9%. The factory is in an industrial area in the outskirts of a big city and has been visited in 2018 by our CSR manager accompanied by the agent. Together with the management of the factory the implementation of corrective actions resulting from the last audit report of 2017 have been discussed. The amount of overtime is a topic that has been discussed thoroughly and the factory plan to lower the amount of overtime consecutively. We expressed strong interest of being more transparent about costing and understanding how prices are built. While our agent is already committed towards more transparency the factory management was more hesitant and prefers a step-by-step approach in this matter. To raise common awareness on several other labor standards among the workers we evaluated to set up a new worker's training.

No complaint was received in the past financial year.

#### **Factory F/China:**

The percentage of our total production volume sourced from factory F is approximately 3,5 %. No complaint was received in the past financial year and the production facility located in a rural area has been visited by our production development team. The factory has been audited in 2017 and a corrective action plan was in progress. Based on our strategic evaluation, we decided to terminate the business relationship in accordance with our responsible exit strategy by the end of 2018.



## 2.2. Factories A – C/India

India is a diverse country with the second largest population of the world. Systemic differences between north and south of India can be easily observed, but general country risks for manufacturing are found in occupational health and safety, in lack of internal and formal means of communication in factories as well as in overtime regulations, female worker discrimination, lack of freedom of association and collective bargaining. The knowledge about potential risks allows us to enhance our due diligence by pro-actively addressing country-specific issues, and by setting up trainings to educate the workers and to raise general awareness on workers' rights and legislation.

The cooperation with our manufacturers and agents in India is existing for six years and longer. In these past years we travelled to India on a regular basis and have strengthened our business

relationship upon trust and mutual understanding, which can be challenging sometimes given the fact that Germany and India are entirely different cultures. We identified most of our production locations on Tier 1 and Tier 2 level and experienced an openness towards transparency in the South and a more reserved attitude in the North.

We engage in local stakeholder communication, meeting with representatives of non-governmental organization SAVE, who play an important role in raising awareness and establishing worker committees in our factories. We expect to receive more in-depth knowledge by having direct contact with the stakeholder and we rely on their presence as an external partner in continuous worker meetings. In 2018 our investigation has exceeded our regular monitoring requirements by identifying potential risks when sourcing for spinning mills.

### **Factory A/India:**

The percentage of our total production volume sourced from factory A is approximately 22%. This respectively small factory has been manufacturing for us for eight years and our CSR manager visited the premises in 2018. During the factory visit, there have been discussions of code implementation, the past audit and the new corrective action plan and its implementation. No complaint was filed for the past financial year. The factory has been audited last in 2017 and the management has been working pro-actively on the corrective

actions. Important factors such as wages and efficiency are remaining on the agenda. We have started to tackle those by piloting our open costing project with these partners. Additionally, we have been investigating further in the supply chain, mapping more involved subcontracted processes, paying regular visits to the fabric processing mills and targeting the spinning mills with regards to their high-risk potential.



### Factory B/India:

The percentage of our total production volume sourced from factory B is approximately 8,5%. It is in the outskirts of a large city. The production processes carried out in this factory are sampling, cutting, stitching, finishing and packing. The building has been rented. The factory has been audited in 2015 and we have been working on corrective actions at all labour standards together with the agents and the factory owner, but with slow progress. Some doubtful findings regarding the payment of wages made us decide to set up a verification visit in January of 2017. We received one complaint from this factory by a former worker regarding the labour standard "legally binding employment relationship". We had set up an audit to verify implementation of all corrective actions as planned in 2018. Shortly after we received the audit report and the corrective action plan by FWF the factory terminated the business relationship with the agent in the middle of the production cycle. As we had no direct business with the factory management we decided to move along with our agent to resolve the complaint and to source for a new factory to finish the production of our goods.

### Factory C/India:

The percentage of our total production volume at this factory C is comparatively small, below 1%, as we only started the new cooperation when shifting from factory B. The production was still running at the point of closing the financial year of 2018. Before we shifted our production volume to the new factory we visited the premises with our agents, properly investigating on social and environmental standards and setting up a FWF audit within the same year thus we could not evaluate the situation from an existing audit report due to poor quality. The factory is the biggest factory we have ever sourced from and has achieved the M&S Eco-Factory Standard. Established in 2012, it had a workforce of 1248 during the time of the audit, with a workforce turnover of 15% during the last financial year.

Processes that take place in the factory are cutting, sewing, checking, packing. The factory operates on three floors. In the basement there are fabric storage, cutting and accessories division. On the ground floor, first and second floor production is carried out. With a proud number of 25 production lines, the company is capable of 1.950.000 pieces a year, but lacking all-year round business from its buyers. It is made use of a production planning system for cost accounting and capacity planning and the factory has much experience in receiving audits and has a CSR manager that coordinates the corrective actions to be implemented.

The most important findings of the audit per labor standard are ...

### Employment is freely chosen

There was no indication that would lead to the conclusion that employment at this factory is not freely chosen.

### No discrimination in employment

The management has a well-defined policy for Anti-discrimination stating that men and women are given equal opportunities and there are internal committees formed to address gender-related issues in the factory.

### No exploitation of child labor

The management has a clear policy on prohibition of child labor and has framed a child remediation policy. Document inspections revealed the personal files of the workers have an age proof document. Neither during inspection of the workplace nor by interviewing the workers the audit team did not notice any children or young workers working in the factory.

### Freedom of Association and the Right to Collective Bargaining

There is a collective bargaining agreement at the factory but since interviewed workers were not aware and the document inspection of the committee protocols reveals there are no significant discussions it can be figured that the CBA policy is not well implemented and needs strengthening.

### Payment of a living wage

Payroll journals, wage lists showing base wages and bonus earnings were available. The workers were paid the legal minimum wages and the calculations and deductions of the social security were available.

Also, the legal minimum wages (including all skill levels) are posted for the knowledge of all workers. Analyzing the wage ladder, it can be stated that the wages paid at the factory are equal to the legal minimum wages.

### Reasonable hours of work

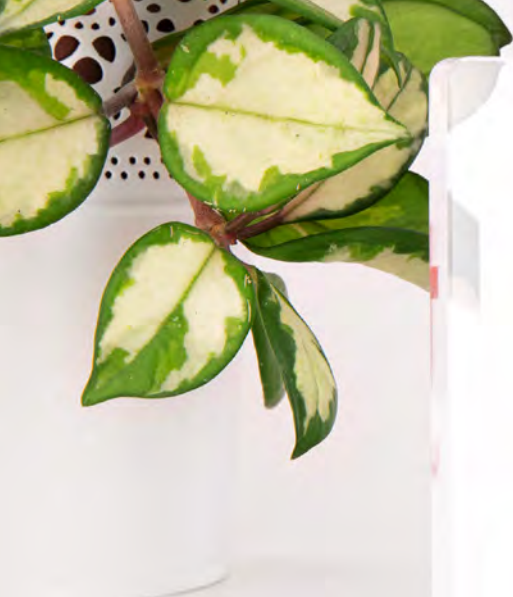
Working hours are posted at the entrance of the factory. Sunday is the weekly day off. There is an overtime register and there are no instances when overtime hours are not being captured. However, documents show that there is excessive overtime in peak season.

### Safe and healthy working conditions

All statutory registers and documents are maintained by the factory. The factory does not provide accommodation to any of its workers. There is a nurse in the factory during the working hours and a doctor visits the premises once every three days. First aid trainings and fire drills are conducted every three months to ensure safety of the workers. Minor issues at the workplace are to be remediated.

### Legally binding employment relationship

All workers are given an appointment letter which gives details of the terms of employment. According to the management, all workers receive pay slips and all social dues are paid to the concerned authorities and the same is deducted from the wages. The workers are provided with ID cards and are paid hourly wages. According to document inspection, personal files were complete and could be verified by the audit team. Trial workers were provided with time cards and their payment details could be verified. The payments to social insurance funds were paid on time.

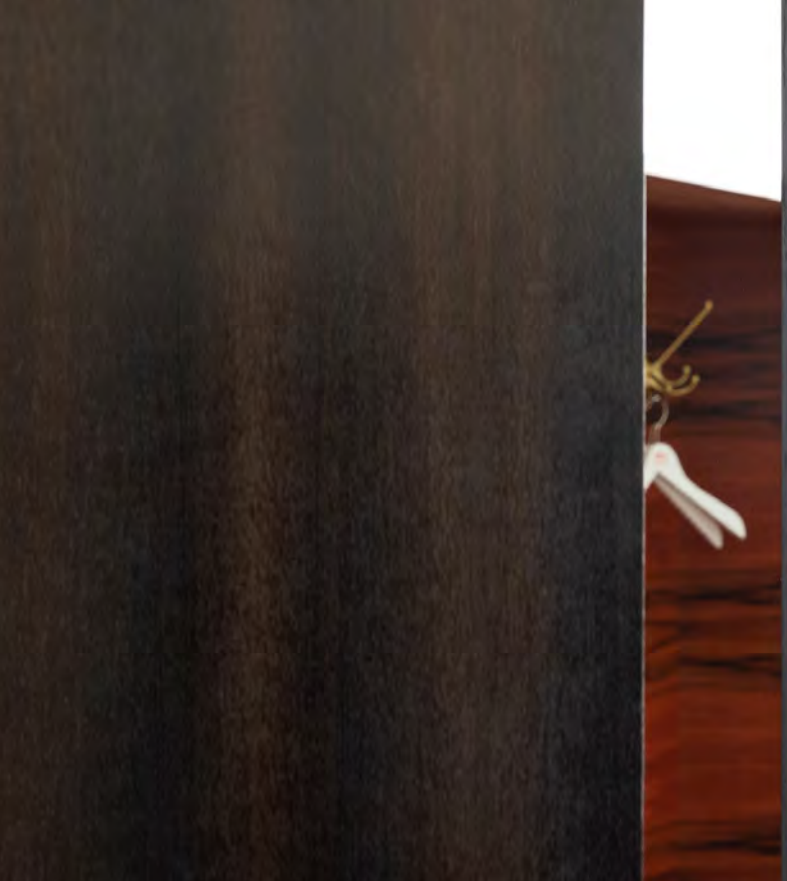


### 2.3. External production

We take responsibility in the products we sell and require the same mindset from the brands we resell. Before we consider purchasing goods from an external brand we seek information about the origin of products, the sources and procurement of material. We introduce our Fair Wear Membership and framework conditions, we ask for production location data, environmental and

social standards to foresee risks in the supply chain with the intention of creating a like-minded foundation of cooperation.

Currently we are not working with any external brand.



### 3. COMPLAINTS HANDLING

FWF's complaints procedure enables FWF member companies to provide access to remedy for workers in their supply chains where FWF is active. It is a safety net for workers when internal grievance mechanism at factory level to not grasp and help is needed to solve an issue. There is a clear understanding of how the complaint procedure works and it starts with the local complaint handler who receives the complaint first. Fair Wear affiliates then review the complaint and investigate while informing the member brand about the complaint. Our responsibility is to help solving the complaint while Fair Wear staff offers guidance and advice. The brand, the management at the factory, the complainant, the complaint handler and other involved stakeholders decide on the corrective action and its implementation is monitored by the member brand. FWF verifies and publicises the steps undertaken to solve the complaint.

In 2018 we received a complaint from a worker at a Tier 1 factory regarding the violence of the labour standard "legally binding employment relationship". The question whether his termination was in alignment with the legal requirements

could not be easily answered as the complainant's statement and the factory management's statement differed. Regardless of the true course of events the former worker was eligible to bonus and earned leave payments which the factory management was neglecting to pay. The complaint was not filed to the labour court and no mediation meeting set up with local representatives of FWF between the factory management and the complainant helped to solve the case. After months of negotiation with the management our company decided to act and to solve the complaint by paying the worker his eligible compensation. We shared the costs with our agent and organized a remediation meeting between the complainant, FWF's local complaint handler, us and our agents for final resolution of the case. We learned that every factory should have a written policy for formal leave procedure and that resignation needs to be in written not in oral form, making sure workers fully comprehend the procedure. Unfortunately, only two months after the complaint was issued the factory management communicated to terminate the business due to irreconcilable differences with our agent.



## 4. TRAINING AND CAPACITY BUILDING

### 4.1. Activities to inform staff members

Blutsgeschwister incorporates the Fair Wear Foundation membership in to its daily business. The CSR manager is working closely with the product development and hosts monthly meetings with wwwhere latest updates of the FWF membership are discussed, visits to production sites reported and all other related issues are discussed. After the meeting a protocol is shared with the team.

Additionally, FWF membership introductory workshops are held up to twice a year for new staff; store managers get updated once per year by CSR staff and by Head of Retail. In 2018, all sales agents have been trained in our headquarters in a specifically targeted communication of the FWF membership workshop held by our CSR manager.

### 4.2. Activities to inform agents

With most of our Tier 1 suppliers we have a direct business relationship. When agents are involved, they are just as informed as the factory managers and an important intermediary for our mission. They are briefed to source factories matching to our standards portfolio and add value by enabling communication and translation on a country-level; and they are completely involved in the commitment of improving labour standards, such as the

follow-up of corrective action plans (CAP's), visits at production sites and business meetings. Agents and factory managers together visit the production locations on a regular basis with Blutsgeschwister's general manager, CSR manager or product development staff.

### 4.3. Activities to inform manufacturers and workers

The FWF Code of Labor Practices increases workers' and management's awareness of Labour rights and that is crucial for our common intention of working towards improvements in our supply chain.

To ensure that workers are aware of their rights, Worker Information sheets with this information and a local complaint hotline are posted in the workshops.

To ensure sustained awareness, Blutsgeschwister sets up trainings in a country-specific manner:

In China, we offer FWF's Workplace Education Training (WEP) and repeat it, depending on the workforce turnover rate. We encourage the factory managers to organize internal trainings on the same topics the WEP offers.

In India, the Fair Wear Foundation offers special trainings that include addressal of topics like prevention of gender-based violence and work-

place harassment. They also include the election of Internal Complaint Committees (ICC'S), a system for grievance redressal in the factories. We initiated such trainings in our production locations in India and made sure the ICC's were not only elected, but also functional.

We regularly ask for minutes of the meetings, attendee lists and photos of the meetings. In 2018 we started to involve worker representatives during our meetings at the factories in China including introduction of their names and profession, work experience at the factory and responsibilities were exchanged. We handed out worker information cards with information about the Code of Labor Practices and explained the mechanism of the local complaint handler hotline, asking the worker representatives to distribute the cards amongst all workers and to include the topic in the next meetings. The integration of meeting the worker representatives has been well recognized by the management and we plan to continue this involvement.



## 5. INFORMATION MANAGEMENT

Having a stable supply chain is key. Our suppliers all have a special expertise and they supply us repeatedly with what they are best at: similar product groups and fabrics, every season. We know the processing steps needed to manufacture our product. Based on that knowledge we can pre-assess production locations. Our CSR manager and the product developer work together to identify production locations. Based on our knowledge of our Tier 1 and Tier 2 production locations, we can pre-assess subcontracted processes and identify potentially new subcontracted locations.

We enquire our agents or suppliers whenever new processes are incorporated in our collections. Simultaneously we encourage them to establish long-term relationships with subcontractors. One big challenge for the CSR manager is to be steadily involved in the creation processes of the product development and to schedule visits to new production facilities before the first order.

With the execution of this routine we ultimately reduce the risk of unknown suppliers in our supply chain, at least on an Tier 1- and Tier 2 level. We exclude manufacturers who facilitate abrasive blasting and we discuss the use of homeworkers with our suppliers.

For documentation of monitoring activities our CSR Manager retains an internal management system including all Tier 1 and Tier 2 productions location information, visit protocols, audit reports and CAP follow-up comments and pictures from visits.

For evaluation of monitoring activities we established a supplier benchmarking system in alignment with an exit strategy where social compliance is a performance indicator. The system works on two levels: internally at the level of product development department of Blutsgeschwister and externally at a supplier level. On a longterm we plan to communicate the benchmarking outcomes with our suppliers and reward those who perform best.



## 6. TRANSPARENCY & COMMUNICATION

General information about our FWF membership and activity is communicated by on-product hangtag and care label communication. The link to the website to [www.fairwear.org](http://www.fairwear.org) is displayed for easy access to more information about the organization and their work.

General information about our responsibility, membership and FWF activities can be accessed via website [www.blutgeschwister.de](http://www.blutgeschwister.de).

Specific information on our FWF membership and the progress made in the implementation of the FWF Code of Labor Practices can be reviewed in our annual Brand Performance Check report and our social report on our website or on the FWF website.

Twice a year our print media magalogue is distributed to all our customers, wholesalers and sales agents and can be picked up in any of our shops in Germany or by purchasing online. Stories about our FWF membership and activities are part of each issue. Newly we added a blog to the website where short stories and updates are posted regularly. So far, we published articles about the membership in general, about health-and-safety checks at production sites, and about gender-based violence.

We are looking for ways to give more insight in our activities and to create more transparency to the public.



## 7. STAKEHOLDER ENGAGEMENT

By joining a Multi-Stakeholder Initiative like the Fair Wear Foundation, we have access to various resources. We benefit from a wide range of country studies, webinars, stakeholder meetings and annual conferences and stay informed about country specific risks and learn how to do proper due diligence and remediation.

Throughout the year there are several events we attend to change and exchange knowledge and ideas with other stakeholders, such as:

- ♥ the German stakeholder meeting which is hosted by FWF member brands and promotes exchange of ideas, best practices in the implementation of social compliance throughout the supply chain on a national level.
- ♥ A workshop day for all European member brands of the FWF to promote exchange of ideas and solutions and to guide and provide information by FWF staff.
- ♥ the annual stakeholder conference in Amsterdam, a semi-public event that honors best practices and hosts game changers from the fashion industry and their inspirational stories on an international level.

Our staff has attended the Living Wage Webinar series, a series of webinars to inform FWF members about Living Wage activities, provide support and share learnings and tools.

Since the Gender Forum Conference in 2017 in Vietnam the paths of NGO SAVE and Blutsgeschwister have continued to cross. The local stakeholder helped to set up and establish Internal

Complaint committees in one of our Tier 1 suppliers' factories in South India.

At the conference Blutsgeschwister and SAVE agreed to further engage in fighting and preventing gender-based violence in the supply chain and one year later we initiated a meeting in South India where the Non-Government Organization (NGO) SAVE has their headquarters. Our local Tier 1 suppliers joined us for a collective meeting to get first-hand information from the stakeholder and to take responsibility in sourcing at spinning mills. During the meeting the risk of harassment of young women in spinning mills have been addressed and preventive training programs were introduced. Our suppliers were open to consider their sourcing practices and sublet their addresses for checking and assessing the labor conditions by the NGO. Our supplier is in contact with the NGO about this topic ever since.

A few months later FEMNET e.V. invited us to their annual conference Fairschnitt "SEWlutions" in Hamburg where Mrs. Viyakulamary from SAVE and Blutsgeschwister's CSR Manager Katharina Fest met again and joined a workshop together on how to set up Internal Complaint Committees in India, giving real insights on the struggles for brands, stakeholders and workers at the factories in India.



## 8. CORPORATE SOCIAL RESPONSIBILITY

We commit to careful use of resources and fair labour conditions. We value lust for life, freedom, drive, honesty and celebrate femininity. We are what we stand for, it's an integral part of our company culture.

Being a member of the Fair Wear Foundation emphasizes our efforts to convince our long-standing partners to act responsibly towards their employees. We stand up against gender-based violence and discrimination against women in the workplace.

♥ For more detailed information about our work and goals in the field of corporate social responsibility, pls check out our homepage:  
[www.blutsgeschwister.de](http://www.blutsgeschwister.de)

♥ For information about the Fair Wear Foundation check out:  
[www.fairwear.org](http://www.fairwear.org)

♥ For information about the Non-Government Organization SAVE check out:  
[www.savengo.org](http://www.savengo.org)

♥ For information about the non-profit organisation FEMNET e.V. check out:  
[www.femnet-ev.de](http://www.femnet-ev.de)



**Do you have any questions?**

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