



IRIEDAILY SOCIAL REPORT 2017

Start date membership: January 2016

Reporting period (financial year): January-December 2017

www.riedaily.de

Contents

Summary: goals & achievements 2017	04
1. Sourcing Strategy	06
1.1. <i>Sourcing Strategy & Pricing</i>	
1.2. <i>Sourcing Department Structure</i>	
1.3. <i>Production Cycle</i>	
1.4. <i>Supplier Relations</i>	
1.5. <i>Integration of Social Standards</i>	
2. Uniform System for Monitoring and Remediation	13
2.1. <i>Factories A-I / Portugal</i>	
2.2. <i>Factories A-F / China</i>	
2.3. <i>External Production</i>	
3. Complaints Handling	21
4. Training and Capacity Building	21
4.1. <i>Activities to Inform Staff Members</i>	
4.2. <i>Activities to Inform Agents</i>	
4.3. <i>Activities to Inform Workers</i>	
5. Information Management	22
6. Transparency & Communication	22
7. Stakeholder Engagement	23
8. Corporate Social Responsibility	23
9. Glossary	25

Foreword

Our second year of FWF membership now lies behind us.

It was a strenuous year, but it was also one in which we sensed that we are doing the right thing.

Following our rigorous examination of the interrelationships that exist between our fast-paced fashion business and the working conditions of those who manufacture our products, our perspective on many things has changed. In turn, this has already led to specific changes being made to our work processes, which hopefully will also improve the working conditions at our suppliers.

There were also some disappointments, however. Now that we are taking a closer look at our suppliers and having them assessed by professionals, more problems seem to be emerging.

But it is precisely here where we see our task and responsibility: to improve working conditions in the textile industry together with our suppliers.

This entails a process that is not accomplished with the mere signing of a “Code of Conduct”. Rather, it is a process of continuous improvement.

Daniel Luger, CEO

Summary: Goals & Achievements 2017

2017 was an exciting year for us. Fairwear Foundation (FWF) conducted its annual Brand Performance Check (BPC) on us. This involved evaluating our commitment to implementing the respective social standards in our production chain. Based upon this evaluation, FWF then awards one of three different status levels: “needs improvement”, “good”, or “leader”. We are very proud to have achieved the status of “good” within our first year of membership, and only missing the “leader” status by a whisker. We regard the result as further motivation to intensify our efforts. Our goal is, of course, to achieve the status of “leader” as quickly as possible. The result also shows that our approach for the selection of production facilities and pursuing long-term cooperation as a basis for fair production conditions has been appropriate.

Substantial effort was invested over the past year to examine our production chain in great detail. In our first year of FWF membership, we focused on the producers that supply us directly. During our on-site visits and through very intensive discussions with both management as well as workers and agents, we discovered – more often than we initially thought – that specific production steps and sometimes even entire products are not always manufactured at the supplier themselves but are outsourced. This year, we have taken a closer look at these subcontractors, some of which we visited. In these facilities too, we assessed work safety and checked to ensure that the “Worker Information Sheets” were visibly displayed in the local language, and that the complaints hotline telephone number was available for all workers.

To ensure that we will be in the position to keep track of the production chain behind each of our products – which is sometimes no easy task – we have established up a database for this purpose. It will assist us in making the production chain more transparent and thus help us to record the levels of compliance with the prescribed social standards in a largely complete supply chain and implement this together with our partners.

At this point it is important to mention that, within the scope of our Fairwear Foundation membership, we are concentrating on that part of the production chain over which we have any influence, in accordance with our size. This applies primarily to companies manufacturing our products, like those involved in sewing, printing and dyeing. Companies such as the suppliers of fabrics, raw materials (e.g. cotton) or other components like labels or zippers, are not included as we have no direct business relationship with them and are therefore not in the position to effect changes there.

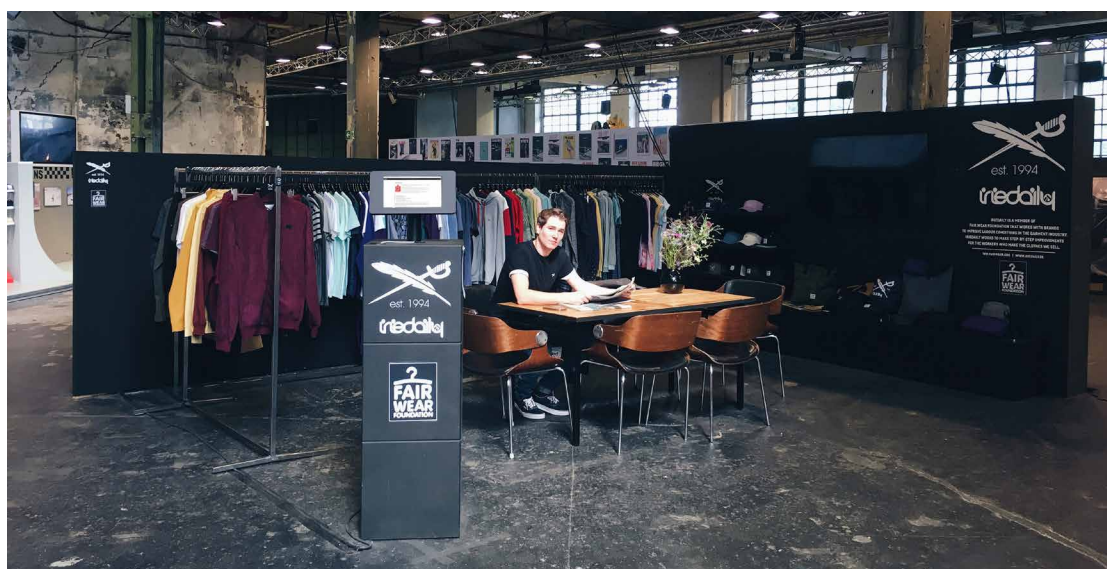
At the end of 2016, the FWF complaints hotline received some complaints from the workers of one of our suppliers in China. This was a small shock for us at first as this producer is a very large manufacturer and our influence there is relatively small. On the other hand, it also showed us that the complaints system the FWF has established actually works. Luckily, several other FWF members also work together with this manufacturer. This allowed us to meet together with these brands and then approach the manufacturer as a group. In this way, the problem could be solved over the course of the year [more information in Chapter 3 – Complaints Management].

For us, this has been a positive experience. It proved to us that the work and commitment invested by FWF members actually leads to real improvements to the local working conditions. The experience of working together with other members, without being overshadowed by the competitiveness that otherwise prevails in the fashion industry, showed us that the more attention is focused on fair working conditions by the brands, the greater the pressure that can subsequently be exerted on the producers to respect working condition and adhere to social standards.

Two audits that we conducted at the end of the year together with the FWF audit team in China were a further milestone for us. One audit revealed that the work relationships and even the place of work had not been correctly and completely informed to us by the producer. Without the audit, which was undertaken by professionals who are aware of the exact legal situation there and due to the language are able to speak directly with the workers, it is unlikely that this would have been discovered. After initially wanting to terminate the business relationship, we decided instead to use our influence to improve the social standards and working conditions over the course of many steps. We will monitor the progress being made here and have this reviewed by the FWF.

Our FWF membership was communicated more intensively in 2017. Among the effects is that our visits to suppliers have been restructured so that not only the product managers but also designers or the CEO always check the safety standards, and that sufficient time is also set aside for a chat about suggestions for improvement with the management.

On the sales side, our sales teams were instructed twice this year regarding our goals and progress. Coaching was also undertaken to highlight the FWF goal of step-by-step improvement to the working conditions throughout our supply chain. Our customers were also actively informed of our membership at our trade fair stand in July 2017.



Bright Tradeshow July 2017

Our first Social Report of 2016 was published in English and German on our homepage.

Furthermore, we commenced initial talks with our most important suppliers regarding the extremely complex issue concerning the payment of living wages. As was anticipated, we encountered considerable resistance as all were reluctant to disclose their calculations. We will, however, intensify these talks in 2018 and hope to make further progress.

Quite surprising was the reaction of some producers to our first year of FWF membership. In the beginning, it seemed that most producers considered it as meddling in their business, which they needed to tolerate in order not to lose us as business partners. When we spoke with many producers towards the end of the year, however, some saw specific benefits for them as we too now have a greater understanding and appreciation of their capacities, production times and pricing structures.

1. Sourcing Strategy

1.1. Sourcing Strategy & Pricing

Our philosophy on purchasing products has remained unchanged for more than 20 years. Just as we must be able to rely on continuous quality and stable delivery times from our suppliers, they too must be able to reasonably rely on the orders that we make. Only when this level of mutual trust has been achieved is it possible to manufacture a high-quality product in a fair manner. For a producer, having their business verified involves significant time and effort. Understandably, they will only be willing to invest this if they feel that they can depend on us. Paying for deliveries punctually is a matter of course for us.

When we create a new collection, we first attempt to manufacture all the products developed by our designer team using our existing pool of producers. Should, due to technical reasons, none of our existing producers be capable of delivering the applicable product, we will carefully take steps to find another supplier.

If the product can be produced at a reasonable price in Portugal, our local agency will then find a manufacturer. Portugal is classified by the FWF as a “low risk country”, as it has clear legal requirements on workers’ rights and has functioning trade unions. Because our agency has worked very closely with us for more than 20 years, it now is fully aware of the FWF requirements and therefore informs the producer from the very beginning of the necessary social standards. It also ensures that the FWF “Code of Labour Practices” and the “Worker Information Sheets” are adequately displayed and also conducts the so-called “Basic Health and Safety Checks”.

During the course of the first year, new suppliers are visited by our product managers and the CSR manager. The fact that, due to their size and production capacities, some Portuguese manufacturers are no longer able to deal with large orders. This led to us looking for an additional producer last year at which initial production runs are now being undertaken.

Pricing

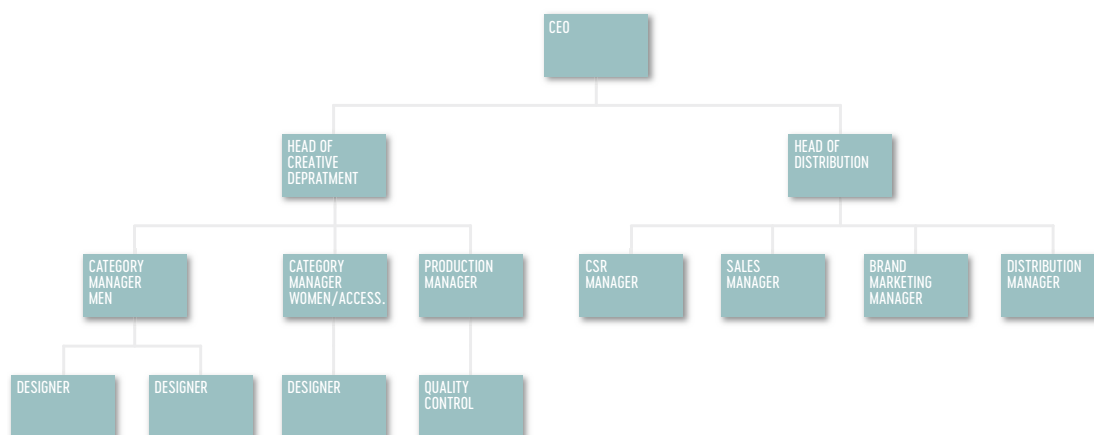
As an established streetwear brand, we must offer a stable price level to our clients. Our prices must remain cSuch long-term cooperation also leads to a stable pricing level. The producers know of our quality demands, our order volumes and the anticipated denominations of sizes. This assists them in making their calculations. Similarly, we too can make very good estimates of what a product will probably cost based on our past experience with the same supplier for comparable products.

With the first worksheet we inform our supplier of the targeted production price. The latest that we receive our first price quotation from the supplier is at the point in time when the first prototypes are developed. Should the discrepancy to our targeted price be too large, we will jointly search for a solution. It sometimes occurs that small details of a garment make it more complicated and time-consuming to produce than was anticipated by our designers. In such cases, either the retail price is adjusted or the style of the garment in question is modified until the target price can be achieved.

Prices are fixed with the supplier for one season and remain as such irrespective of the actual number of garments that are finally produced.

Our focus next year will be on greater transparency in pricing. Information of unit labor costs is important for us in order to develop a model for the payment of living wages in the long term, together with the respective suppliers.

1.2. Sourcing Department Structure



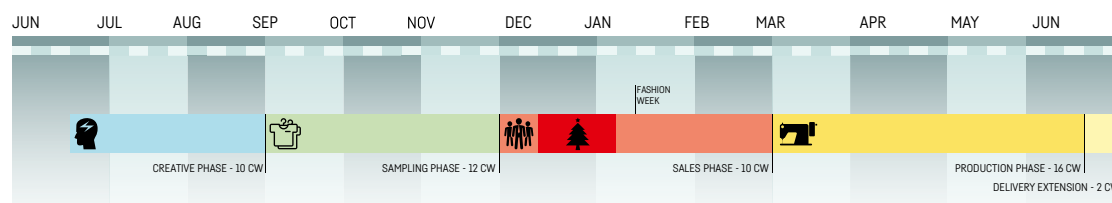
The “Head of Design” has responsibility for the planning of the collection volume. During the development phase of the collection, he decides roughly the styles that will be manufactured and by which suppliers. His development proposal is coordinated with the CEO, who is responsible for the procurement of goods. The CSR Manager is also involved in the final planning of the collection development. Progress made in implementing fair work conditions is thereby taken into account.



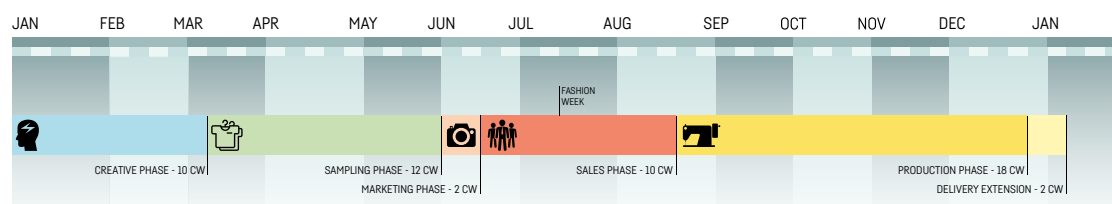
1.3. Production Cycle

IRIEDAILY currently releases three collections annually. The two main seasons are Spring/Summer (43%) and Fall/Winter (53%). Furthermore, a small Cruise collection (4%) is also launched in November.

Fall/Winter Collection



Spring/Summer Collection



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

An intense creative process accompanies the commencement of every collection. Our creative team invests substantial time and an incredible level of passion to interpret our “spirit” each half year in a contemporary manner. Also incorporated in the collection is our wealth of sales experience as well as the CSR Manager guidelines.

Work commences with the supplier as soon as a framework for a collection is in place. Already during the creative process are fabrics developed together with the supplier and new production and finishing techniques tested. At present, the main Spring/Summer and Fall/Winter collections encompass approx. 250 styles and the Cruise collection around 60 styles. The handover of the final worksheets to the producers and the ordering of the salesman samples occurs at the conclusion of this phase. A worksheet contains all details concerning a style, such as cut, size table, color, material, other additions and finishing. Armed with this information, the supplier is in a position to produce a prototype. Generally, when handing over the worksheets, our designers

visit the producers personally in order to clarify any final particulars as well as being in a position draw upon their experience, if needed.

In the subsequent “sampling phase”, the supplier must procure all the necessary components and produce the first prototypes. These are used to check whether the product has been produced in a technically sound manner and that our vision was correctly interpreted. The prototypes are then presented to our sales team and are subsequently assessed for their marketability. Only small changes can be made to the collection at this stage, however, as our producers are already busy manufacturing the salesman samples at this point.

The “sales phase” commences with the delivery of these samples. Our representatives and distributors strive to obtain customer pre-orders as quickly as possible. In this phase, however, the market dictates some very clear timeframes as exact milestones exist for the retail trade (trade fairs, etc.) for when collections are ordered.

At the end of this phase, our purchasing manager analyzes the pre-order figures and places the corresponding orders with our suppliers. In order to make production planning easier for our suppliers, it is not uncommon to provide details on the anticipated production volume so that they can already reserve production slots at the fabric suppliers.

The ensuing “production phase” is the most critical when it comes to fair working conditions. Many factors must be included in the planning process. The lead times for the procurement of the fabric and other materials play an important role, besides shipping times and the capacities of the producers. For this reason, the Purchasing Manager and CSR Manager jointly analyze the pre-orders and then define a delivery schedule with the supplier. If the pre-order volume exceeds the capacity of the earmarked producer, orders are passed on to other manufacturers who still have free capacities. With this measure, we hope to prevent both the unauthorized transfer of contracts to subcontractors as well as the risk of staff incurring too many hours of overtime.

Many suppliers are faced with the problem that the production cycles in the fashion industry are the same for most fashion brands. For the suppliers this means that a large portion of their work must be completed within a relatively short timeframe. We are well aware of this problem, yet we must also comply with the demands of the market. We have led many discussions in regard to this subject with the management of our most important suppliers in an attempt to come up with individual solutions.

One measure resulting from these discussions was the handover of our pre-orders two weeks earlier than scheduled. Especially in the case of smaller producers, it has been seen that there are difficulties in delivering larger orders in one to three dates. As a result, we have made the concession to accept weekly deliveries. Besides stretching the production phase, this also helps suppliers in terms of financing.

Another aspect causing major problems for textile industry suppliers are late change requests within a style during the production phase. In order to avoid precisely this situation, we provide our partners with a “Recapitulation Sheet” for each ordered style. All relevant information and any changes are summarized on it. Should the need arise for a pre-production sample, this will be produced in order to guarantee the smooth operation throughout the main part of the production process. After that, no more changes are permitted, thereby ensuring the producer can now start with series production.

The production phase ends with the so-called Shipment Sample. This must be approved by our Quality Control Manager. If it complies with our quality standards, the supplier may initiate the dispatch to our warehouse.

1.4. Supplier Relations

The long-standing relationships that we enjoy with our suppliers are the cornerstone of our success. We have continuous business relationships spanning more than 10 years with our most important suppliers and more than 5 years with almost all others. We consider ourselves as partners to our suppliers and also have a common sense of responsibility for them and their workers. It is important for us that our suppliers also feel that they can rely on us as their business partner.

In the fashion industry it is particularly easy to obtain better prices for one or two seasons by changing suppliers in rapid succession. We have always rejected this practice as it not only results in fluctuating quality levels, it also leads to a mistrustful relationship with suppliers. Yet trust is the basis of a successful business relationship that has endured over longer periods of time.

Only in these longer relationships does it become possible to establish closer contact and interaction with our suppliers. Irrespective of whether it regards the development of a collection with our designers or negotiating delivery timeframes and capacities with our planning department, it always remains important to be in a position to appreciate the individual situation of the supplier and to understand their problems in order to do business with them, successfully and fairly.

One topic that was discussed in great detail with all suppliers was the issue of tight production times. While our usual production time window of approx. 13-14 weeks in China and 18 weeks in Portugal is common, almost all fashion brands have more or less the same deadlines. As a result suppliers have very high work volumes at peak times, and in the worst case idle time in between.

We have therefore spoken with each supplier to ascertain when they need their orders, how many deliveries they prefer, and which delivery dates are realistic for them. Naturally, depending on the country and size of the supplier, the wishes expressed were quite diverse. We could, however, identify a common desire to extend the production time window by two to three weeks. We then met with all the departments in our company in order to identify the best opportunities for implementing such a request.

The easiest way to do this would have simply involved having our goods delivered to us later – by the two or three weeks desired. Unfortunately, this would have dealt us a substantial competitive disadvantage as the timeframe during which the products can be sold at full price is becoming ever shorter. Due to the pace at which reductions in price are made in the retail trade, our delivery dates must categorically be maintained.

We therefore needed to change the order period, which was not an easy task. To begin, this entailed our entire design team needing to finish the complete development of a collection two weeks beforehand so that the salesman samples could be obtained earlier. In the next step, we needed to convince our sales team to commence their order round earlier. This turned out to be a rather tedious process as our industry generally observes specific deadlines in which the purchasers wish to place their orders with all brands. We provided detailed information about the suppliers' situation to our representatives in order to convince them of the importance of this step. In addition, we also used our appearance at the Bright Tradeshow to highlight the interrelationships existing between fair working conditions, our responsibility to our suppliers and the production time windows, to our most important customers.

Naturally, as a pre-order brand with two main collections annually, we are also aware that we cannot keep an entire production factory busy throughout the entire year. But even by taking such small steps a contribution can be made to often improve the work processes in the production facilities by a substantial margin,

which ultimately also benefits the workers.

Portugal:

IRIEDAILY has produced in Portugal since the inception of the brand. During our first ten years, our entire collections were made there. Last year, 44% of our production volume was manufactured there. Unfortunately, the country is still suffering from the effects of the financial crisis. For many workers, this crisis has had a very negative impact due to a subsequent drop in minimum wages while the cost of living has continued to increase.

We see this as being exactly the task we wish to tackle over the coming years. We have commenced initial discussions on this topic with our two most important producers there. As expected, our suppliers still have very significant reservations concerning the disclosure of the wage costs per style, but we consider it our challenge to overcome these inhibitions.

China:

China is currently our top production country. Last year we sourced 56% of our goods from there. The country has developed at an incredible pace over the past ten years and has changed dramatically. As a result, the standard of living has risen in recent years, especially in the urban centers. This has led to an increase in the cost of living. While salaries have also increased, a discrepancy still remains between the statutory minimum wage and a living income. Although our producers often pay more than the minimum wage, improving the level of wages is one of our most important tasks there.

China's decision to take environmental protection much more seriously has brought about a further change in the textile industry. We welcome this necessary development, despite its effects on our supply chain. As many of the small suppliers that couldn't or didn't invest in costly environmental protection systems have closed down, the manufacturing needing doing now falls back on the remaining suppliers – which leads to long delivery times, especially during the peak periods. To help our producers mitigate this effect, we have arranged to provide some of them with information on the anticipated fabric requirements before our actual orders have been placed.

1.5. Integration of Social Standards

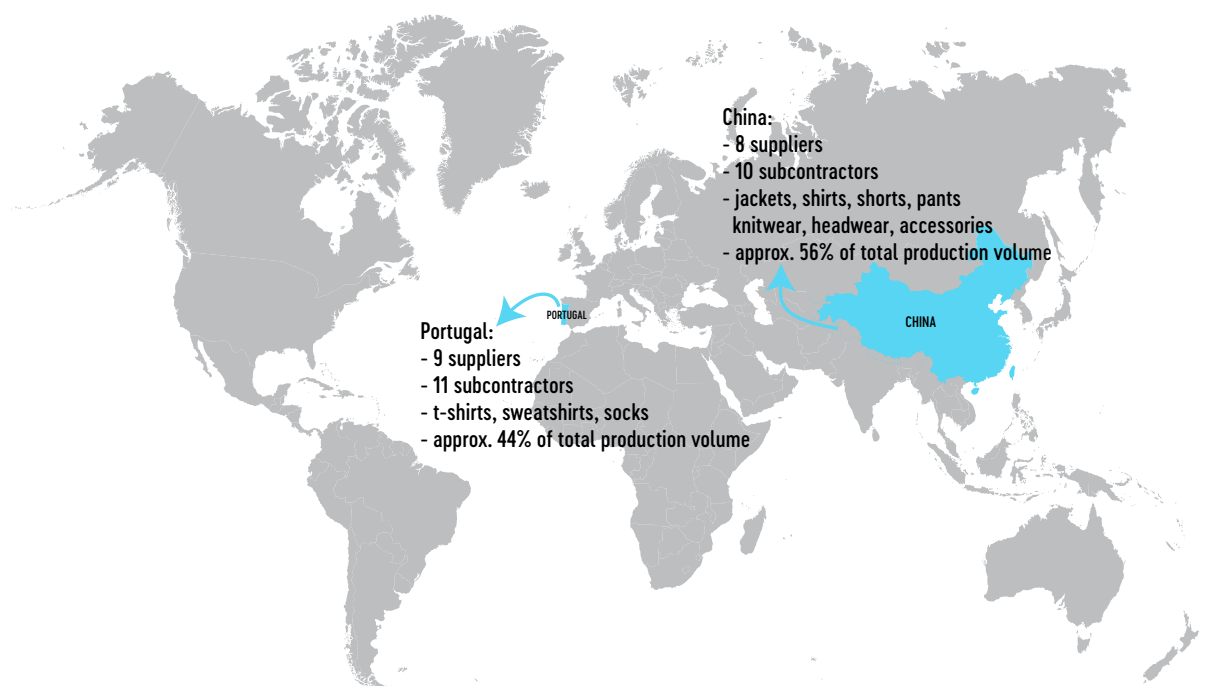
During the first year of our membership we have focused on communicating the social standards to all our suppliers. We visited most of them personally, and spoke with the owners, managers and agents about the implementation and adherence to the required standards. We inspected the factories in order to see what the workplaces are like and to convince ourselves of the observance of work safety regulations. During these meetings and factory visits we discovered that our supply chain is larger and more complex than we were aware of.

The use of subcontractors is common practice in the textile industry as not all production steps can be carried out in the one single factory. Printing and dyeing operations are, for example, usually outsourced. But it is also possible for entire article groups to be outsourced due to special equipment and/or knowhow being required for their production, as in the case of accessories or knitwear, for example. For us, this outsourcing to subcontractors increases the risks within our supplier base, which is why we need to now as precisely as possible where exactly our products are being produced.

With the help of our local agents, we have ensured that all of these subcontractors have been informed of our FWF membership and the “Code of Labour Practices”. Moreover, the “Worker Information Sheets” needed to be displayed in a prominent position and the “Basic Safety Check” also had to be carried out. During his most recent trips to China, our CEO also visited some of these suppliers and spoke with the managers and workers on location.

The monitoring of this supply chain will continue to preoccupy us for some time.

2. Uniform System for Monitoring and Remediation



Factory	Country	Supplier since	CoLP posted	Low risk origin	FOB Volume 2017	Complaints in 2017	Dates of Audit	Factory visit 2017
PORTUGAL								
A	Portugal	1996	yes	yes	15,93%	no	n.a.	yes
B	Portugal	2011	yes	yes	19,24%	no	n.a.	yes
C	Portugal	2008	yes	yes	4,01%	no	n.a.	yes
D	Portugal	2014	yes	yes	0,04%	no	n.a.	yes
E	Portugal	2013	yes	yes	1,60%	no	n.a.	yes
F	Portugal	2017	yes	yes	0,16%	no	n.a.	yes
G	Portugal	2000	yes	yes	2,28%	no	n.a.	yes
H	Portugal	2016	yes	yes	0,93%	no	n.a.	yes
I	Portugal	2017	yes	yes	0,03%	no	n.a.	no
CHINA								
A	China	2008	yes	no	34,86%	no	2016	yes
B	China	2010	yes	no	1,46%	no		yes
C	China	2010	yes	no	1,81%	no		yes
D	China	2015	yes	no	0,38%	no		no
E	China	2007	yes	no	7,28%	no	2017	yes
F	China	2009	yes	no	4,70%	no	2017	no
G	China	2011	yes	no	2,18%	no		yes
H	China	2011	yes	no	3,11%	no	2017	yes

2.1. Factories A-I / Portugal

Portugal is where we first started producing textiles and have been associated with our most important manufacturers for many years.

We have worked with a textile agency that represents our interests there for more than 22 years. During the past year, we explained the FWF requirements and the “Code of Labour Practices” in detail to the agency so that they can continually remind the individual companies in Portugal of these. We have specially trained one of our employees to enable her to undertake the “Basic Health and Safety Check” at all supplier locations.

Factory A / Portugal

This producer has supplied us with T-Shirts (men) and sweatshirts for 20 years. It is a small yet very well-organized operation that is specialized in T-Shirt and sweatshirt products.

During our last visit and our subsequent discussions, we learned that while the supplier is pleased with increasing turnover levels, they are actually not capable of producing more than a certain volume of textiles per week. Together with our local agency, we subsequently analyzed our orders and transferred a part of the production to supplier C.

We also changed our delivery system with this supplier. Previously, garments that were already finished goods were stored by the supplier until the first delivery date. We have now moved the delivery window quite some time forward and given the supplier permission to immediately deliver all goods to us that are already finished. As such, the supplier now has a continuous delivery window spanning more than three months. This allows for significantly better planning by the supplier and also ensures a continuous cash flow and not needing to worry about the storage of the finished garments.

In addition, we also visited this producer's suppliers in autumn, comprising a dyeing plant, a printer/embroidery operation as well as a sewing firm. The visit to the dyeing plant was very interesting, as we have never visited such an operation previously. We verified compliance with safety standards and that the "Worker Information Sheets" were clearly on display, and also informed management about our FWF membership and the "Code of Labour Practices".

The textile printing operation, which also performs embroidery, is a typical printing house with two large, fully automatic printing presses. Here, all the occupational safety and environmental protection measures were demonstrated to us and we checked that the "Worker Information Sheets" were clearly displayed.

The sewing firm, a typical Portuguese subcontractor, performs sewing jobs for this producer from time to time. It is a relatively small family business located in a small building next to the owner's house. Here too, we have made sure that all Portuguese labor laws and the usual occupational safety measures were being complied with and that all workers have access to the telephone number of the FWF's complaint hotline.

Factory B / Portugal

We have worked with this supplier since the year 2000. However, following a merger with another supplier in 2011, it has since operated under a new name. It is a small, family-run business, located in a medium-sized building with two floors.

During our last visit we criticized that the social room as not being particularly inviting. There was also no possibility for the workers to prepare snacks or meals. The owners were therefore proud to show us their new, large and freshly furnished social room.

This producer also told us that he is very happy about the change to the production times. Due to the figures being provided to him earlier, he was able to order the material from his suppliers in good time and was therefore able to execute the full volume of production without large amounts of overtime being required.

The producer was also delighted with the earlier delivery window and gladly made use of it during the last production period.

Factory C / Portugal

This supplier, with whom we have been working together since 2010, experienced considerable financial difficulties last year. For this reason, we temporarily cut back our development here.

During our visit in the spring of 2017, the owner was able to convince us that she had a solution to her problems. In order to diminish the outstanding debts, she sold her relatively large factory building and moved into a smaller building with the remaining staff. We visited the new factory in autumn and were convinced of the adherence to occupational safety standards there.

In order to support this step, we have started to expand our development with this producer again. Furthermore, this supplier is currently completing the orders that producer A is no longer able to handle due to its overcapacity.

Factory D / Portugal

Our business relationship with this supplier commenced in 2014. The company is located in a medium-sized building on two floors and specializes in knitwear.

Unfortunately, we did not manage to successfully launch this supplier's products among our customers, resulting in only a very small production volume in 2017. It is therefore likely that this relationship will come to an end.

Factory E / Portugal

Four years ago, we commenced working together with this supplier for our cruise collection. As such, the total production volume at this producer is thereby correspondingly rather limited.

The supplier also relocated in 2017. Similar to producer C, due to poor order levels, this supplier moved into a smaller yet significantly more modern building. We visited the new production facility in autumn 2017. As this business now only employs a staff of six, we must assume that larger production volumes are manufactured externally and that only the cutting and finishing takes place in-house. For this reason, we also visited the subcontractor.

It is a small company with a staff of around 30 workers. We conducted a safety check on site and ensured that the "Worker Information Sheets" were hung in a prominent position.

During our visit, we especially noticed the warm and cordial atmosphere that exist between the workers and the owners. The company also has a large and comfortable social room in which lunch was being prepared at the time of our visit.

Factory F / Portugal

This is a new supplier for IRIEDAILY. We commenced with a small range there in 2017.

We came to this supplier after being approached by an employee we knew from another manufacturer that went broke several years ago. She reported to us that some of the customer advisers, cutters and sewers that had been affected by the bankruptcy had established a new company. We consider such an initiative as being worthy of support. We visited the facility in autumn 2017. It is a medium-sized factory building with two floors.

42 members of staff are currently employed there. We conducted the "Basic Health and Safety Check" and could convince ourselves of their compliance with occupational health and safety regulations. The "Worker Information Sheets" were also prominently visible in several locations.

Factory G / Portugal

This is another supplier with whom we have worked with for more than 15 years. The company, which is located in a modern building on two floors, makes a very professional impression and is accustomed to completing large orders. Located on the ground floor is the warehouse, a pattern department, the sections for cutting, sewing, ironing and dispatch as well as the cafeteria and social rooms. The offices for management, accounting and the commercial department are found on the first floor along with a very large showroom. In 2015, the factory underwent a "Sedex Members Ethical Trade Audit". The company fulfils all health and safety standards,

and the “Worker Information Sheets” were prominently displayed at several places.

We actually had planned to increase our order volume with this producer, but the ranges we developed there didn’t sell so well.

Factory H / Portugal

This is a very good supplier meeting all requirements. Highly efficient, this supplier is, unfortunately accustomed to much larger orders than we can currently provide it with. As its entire infrastructure is laid out for completing much larger volumes, the prices for the styles in our quantities are, unfortunately, somewhat too high for us.

As this supplier also works for further FWF members, it is also very familiar with the FWF system and fulfils all its requirements. We will continue developing ranges together with this producer as long as it is ready and willing to work with us.

Factory I / Portugal

This supplier specializes in the manufacture of socks. We placed a small production run there in 2017.

A visit to the company is scheduled to take place in 2018, for the first time.

2.2. Factories A-F / China

Ten years ago, we relocated a part of our production to China. For us, this represented a major step which involved growth and also entailed a great deal of responsibility.

While China remains a difficult country in political matters, we are witnessing rapid changes and growth – also in areas including social issues, environmental concerns and associated regulations. That is why we believe in our suppliers there and strive to develop long-term, trusting business relationships with them.

We are aware that we must play our part and we are constantly working to improve working conditions there. In 2017, we conducted a total of three audits and two “Workplace Education Programs” (WEP) together with FWF.

All audits revealed violations of the “Code of Labour Practices” (CoLP). These mostly concerned the issues of freedom of association and the right to collective bargaining, the payment of living wages, reasonable working hours as well as safe and healthy working conditions. As the law in China strongly limits the right to freedom of association and collective bargaining, it is difficult to improve the situation in this regard.

Unfortunately, the basic understanding of workers’ rights cannot be compared with that in Europe either. Occupational health and safety rules are routinely perceived as an annoying duty not only by management but also by the workers themselves. The training of workers and management in this field is therefore so important – and we will step up our efforts here.

Furthermore, we anticipate that the topic of living wages is likely to occupy us over the coming years.

Factory A / China

This supplier has played a central role in the production of our collections since 2008. It is a relatively large producer and has a sizeable, three-floor office in Shenzhen. Here, management, customer service officers as well as specialists for the development of the designs and a small sewing section for the manufacture of sample collections are found.

The production facility itself is located in Jiangsu province, west of Shanghai. It consists of two buildings: one being for the office and factory proper, the second being a dormitory for the approx. 300 workers.

In early 2016, we conducted an audit of this factory together with another FWF member brand. The implementation of the resulting “Corrective Action Plan” (CAP) occupied us until the first half of 2017 and was successfully completed. One of the last points needing to be dealt with involved the procurement of ergonomic work chairs. We purchase approx. 50 of such chairs, together with the other brand we did the audit with, in order to convince both the workers and management that it is wise to invest in a healthy working environment. At the end of 2017 we conducted a small survey among some of the workers regarding their thoughts and experiences with the new chairs. Unfortunately, we learned that the majority of workers surveyed perceived the chairs to be impractical and not a big improvement to the otherwise common wooden stools being used.

In May, we also had a “Workplace Education Program” (WEP) undertaken in the factory in order to raise awareness among workers and management on the issue of labor rights.

During our visit at the end of 2016, we discovered that not all the items we obtain from this supplier are manufactured at this factory. Articles such as knitwear, accessories and denim are manufactured by other specialized providers. We have now also included these companies in our “monitoring” activities and visited two of them last autumn.

Factory B / China

This factory is a subcontractor for our supplier A. It is specialized in the manufacture of knitwear. The factory is situated on the second floor of a building located in an industrial estate in the city of Dongguan in southern China. It features several rooms for the various production steps. The knitting process is particularly noisy and is therefore housed in separate rooms.

We were satisfied that the “Workers Information Sheets” were adequately displayed and with the help of the “Basic Health and Safety Check” ensured that the minimum requirements for occupational safety were met.

Factory C / China

Similar to the case with production facility B, this factory is a subcontractor for our supplier A.

The factory produces accessories such as wallets, backpacks and belts for us. It is located in the Shenzhen suburbs on the seventh floor of an industrial building. The entire production facility is found on a single floor. Despite the building in which the factory is located being relatively old, the most important safety regulations have been adhered to, including: two separate escape routes, illuminated emergency exit signs, a fire alarm system that is connected to the local fire brigade, as well as a fireproof, sealed container for chemicals. Several “Worker Information Sheets” (WIS) were also prominently displayed on the walls.

A problem that exists involves the fact that there is only one room for production and storage. As such, materials are stored very close to the sewing machines, which comprises a potential fire hazard. It is also suspected that during peak production periods these materials may also block the escape routes. We drew the attention of management to this problem and were assured a sufficient distance would be maintained at all times.

Factory D / China

This factory is a further subcontractor for supplier A. It is specialized in the production of denim products. Unfortunately, we did not manage to sell this segment particularly well. As such, our volume there is very low.

For this reason, we have not visited the factory to date.

Factory E / China

This is our oldest supplier in China, but it is not the easiest. In mid 2016 the factory relocated to the home province of its owner. We visited the building at the end of 2016 and were convinced of the owner's plan to employ only local workers and not migrant labor.

We had actually believed that the owner had understood what the issue of fair working conditions was about as we had explained the "Code of Labour Practices" in detail to him and he had assured us to abide by it.

At the end of 2017 we had an audit conducted at the factory – the result of which was anything but pleasing. Besides several violations against safe and healthy working conditions, which are relatively easy to remedy, massive violations of information management, legally binding working conditions, payment of living wage salaries and appropriate working hours were revealed. Due to his generally poor order situation, he has refrained from hiring workers at all on a permanent basis and with employment contracts. Instead, workers are obtained via a temporary employment agency, as required. This has not only made itself felt in the quality of the products, a firm and legally binding employment relationship is a prerequisite for fair working conditions.

Our initial impulse was to revoke all orders there. Yet then we remembered the role that we can play to continually improve working conditions and subsequently agreed with the owner to address the shortcomings that were identified by the FWF in the "Corrective Action Plan" (CAP). To this end, we have agreed on a binding timetable for the corrective measures with him, which will be implemented and examined in 2018.

A "Workplace Education Program" (WEP) is scheduled for March/April 2018.

Production Facility F / China

Considering our share of the total production volume, we have only very limited influence on this producer. It is a very large factory with approx. 1,000 workers. It is specialized in the manufacture of headwear.

At the end of 2016, a complaint was received via the FWF hotline. As several FWF members have their headwear made at this producer, we met last year at ISPO Munich to investigate this complaint together. The joint approach has enabled us to act quickly. The supplier was cooperative and immediately set up an internal monitoring system to establish an internal complaint management system. Furthermore, all the company's production sites were disclosed to us.

In order to educate workers, foremen and management about the "Code of Labour Practices" (CoLP),

a “Workplace Education Program” (WEP) was carried out in June 2017, involving over one hundred workers and nine management employees.

To ensure that the rules are being adhered to in the production plant where our goods are produced, FWF had a “verification audit” carried out in October. Besides some minor occupational safety violations, it was also possible to identify violations regarding information management and living wage salaries. A “Corrective Action Plan” (CAP) has been agreed upon and will be implemented in the course of this year.

Factory G / China

We visited this factory for the first time in October 2017 and were not satisfied with the working conditions there. We have drawn up an initial list of requirements outlining what the supplier urgently needs to improve and have made the placement of our next orders subject to compliance with this list of requirements.

We are not in a position to go deeper into the matter ourselves due to the problems the language barrier provides us with and also because of our relative unfamiliarity of Chinese laws. In 2018 we will therefore have an audit carried out with the help of the FWF team in China and we will then decide how things will continue with this supplier.

Factory H / China

In November 2016, we had an audit carried out at this producer, which revealed several CoLP violations. The supplier, however, proved to be very cooperative in the first debriefing and is prepared to implement the required CAP improvements during the course of this year.

Included in the diverse occupational safety violations found were some that came as a result of the supplier having just recently relocated to a different production site prior to the audit.

An important yet very complicated issue is the payment of living wages – which is a problem that is evident in almost all factories in China. We will need to work intensively with the supplier on this point. Another problem involves exceeding the maximum number of overtime hours. Here too, the owner has shown understanding and wants to make improvements.

Fortunately, the first improvements were already achieved at the beginning of 2018. A “Workplace Education Program” (WEP) is also planned for March 2018.

2.3. External Production

We don’t have any external production facility.

3. Complaints Handling

The FWF offers a complaint system, which includes a complaint hotline for all our production countries. Workers can call this hotline anonymously and talk to a local partner in their local language. This complaint hotline number is written on the Worker Information Sheets that inform workers about their rights and every supplier is obliged to post it in a public area of the factory. If a WEP (Worker Education Program) is held at a supplier, special attention is then also drawn to the complaint hotline and the workers are encouraged to use it. As soon as a complaint is received via the hotline, FWF forwards the complaint to the member who then contacts the factory to solve the problem. The most important thing is to check if the complaint could be a result of, for example, poor or too tight production planning from our side, or if it is something that is within the factory's responsibility. Either way, we endeavor to solve the problems together with the factory management and will find out what has led to the complaint.

Complaints received in 2017:

As mentioned above, we received one complaint at one supplier [Production Facility D/China] at the end of 2016. It is a supplier that we share with several other FWF members. Specifically, the complaint refers to the following work guidelines from the FWF Code of Labour Practices [CoLP]:

- No excessive working hours
- Payment of a living wage
- Safe and healthy working conditions
- Legally binding employment relationship

After the management refuted some of the allegations, we decided upon conducting a "Workplace Education Program" (WEP) to educate the workers about their rights. Furthermore, a "Verification Audit" was also conducted in order to scrutinize the allegations against management. It was fortunately found that the amount of overtime had dropped, which was the main accusation of the complaint. As such, FWF closed this complaint at the end of 2017.

4. Training and Capacity Building

4.1. Activities to Inform Staff Members

In 2017, we trained our employees even more intensively in aspects concerning our commitment to improving working conditions. One area of focus was training in our design team. As they are often on site and not only have the opportunity to visit showrooms but factories as well, we discussed the "Basic Health and Safety Check" with them in detail. We also provided them with specific examples of what they should look out for during the visits.

Another focal point was the training of our Brand Marketing Manager. We attended an FWF seminar together in Cologne in May 2017.

As part of the six-monthly retreat with our representatives, our CSR manager outlined the current status of our measures, progress and goals to those attending.

4.2. Activities to inform Agents

All agents have been informed about our FWF membership, the processes and practices associated with it and the CoLP [Code of Labour Practice]. In several cases, some also help to fill out the questionnaires or gather more information about the factories. FWF matters are discussed with them on a regular basis and especially during visits. In general, the agents also have a mediator position and support us in our communication measures as well as conduction and implementing FWF issues like audits, CAPs and WEPs.

4.3. Activities to inform Workers

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

5. Information Management

All our suppliers must complete a questionnaire that provides us with all the information needed, including how many workers they have, what our leverage is and also whether they work with subcontractors – and if so, they need to fill in the names and addresses of these subcontractors. All of this information is also kept in a separate list [Supplier Register] where we also mark whether there have been any complaints or an audit has been planned. A Corrective Action Plan (plan of remedies) is set up following an audit, where we keep track of the topics needing to be worked on and the step-by-step improvements that have been made. We also use this document to communicate back and forth with the supplier in question. We have now set up a database for our supply chain. It enables us to maintain a better overview of the supply chain – especially helping us to understand on a product level from which supplier and subcontractor each product comes from.

6. Transparency & Communication

We have integrated a new “Responsibility” page on our website, where we provide information about: our brand philosophy, our countries of production, the manufacture of our products, CSR in general and our FWF membership in particular. Both our “Social Report” and “Brand Performance Check” is available for download there.

The “Social Report 2016” was disseminated over social networks and via our newsletter. In order to highlight our FWF membership and its significance, we made it the main subject at our trade fair stand in July 2017. This resulted in many interesting conversations and above all, we received a great deal of positive feedback on our involvement.

7. Stakeholder Engagement

We are currently focusing on our FWF membership.

8. Corporate Social Responsibility

As a company based in the Kreuzberg district of Berlin, we also assume responsibility to not only support but also actively contribute to local projects. Among these projects is the football club Hansa 07 with whom we recently produced a T-Shirt against racism (<http://hansa07.de/fans-freunde/fanshop>) and the local BMX location Mellowpark (<https://www.mellowpark.de/>).

Another very interesting project which we supported is the organization Radbahn (<http://radbahn.berlin>). This Berlin initiative that stands up for more safe bicycle lanes in Berlin.

We regularly assist these projects with backing comprising either monetary support or clothing donations.

Some donation projects are very small and direct. For example are we sending clothing donations direct to a project which is helping children in Tibet (<https://kenkmannfond.de/>) and we are supporting the private project of Berlin based photographer Daniel Reiter, that brings collected clothes and skate equipment to the skate community in Addis Ababa, Ethiopia (<http://danielreiter.de/ethiopiaskate>)





Monetary donations were also given to the following organizations:

- Amnesty International (<https://www.amnesty.de/>)
- Aerzte ohne Grenzen e.V. (<https://www.aerzte-ohne-grenzen.de/>)
- Opferperspektive e.V. (<http://www.opferperspektive.de/>)

9. Glossary

Audit:

The following definition of an audit applies to those audits that are being conducted by the Fair Wear Foundation:

While company commitments to ethical practices are important, such claims usually only gain credibility when verified by a third party. This is where FWF comes in. FWF's multi-stakeholder make-up means that it is independent and credible. People have a right to know under what circumstances their clothes are made. FWF verifies whether companies comply with the Code of Labour Practices, through factory audits and a complaints procedure, through management system audits at the affiliates and through extensive stakeholder consultation in production countries. FWF shares its knowledge and (local) contacts with the member companies, providing them with access to information on local legislation, labor standards and culture. In order to gain real insight into company performance, FWF's verification system exists at three levels: FWF verifies at factory level and implements a complaints procedure in all countries where it is active to serve as a safety net. Finally, FWF also verifies at the company level to check whether companies implement the FWF Code of Labour Practices in their management systems effectively.

Verification at factory level: FWF is perhaps best known for its unique and groundbreaking approach to factory-level verification. This is due largely to FWF's multi-specialist approach to auditing. The rigor of FWF's auditing process is evident in the higher quality of its outcomes. FWF finds that managers are generally more open to collaboration and workplace improvements if audits are announced. Pre-planning audits also ensures that appropriate managers and documents are accessible on the days of the audit. What's more, FWF's practice of interviewing workers offsite prior to visiting factories generally addresses the common pitfalls others encounter when they announce visits, namely coached workers and falsified books. "The offsite interview itself is a fantastic procedure. When you join workers in their homes or community, you pick up issues you may not be able to pick up on the day of the factory audit." – Bobby Joseph, Lead Auditor and Health and Safety Inspector, Bangalore, India.

FWF's factory auditing serves two main purposes: For factories, it is a step in a process leading to workplace improvements – rather than a policing exercise. For companies, factory verification visits also serve as an indication of their performance in upholding their FWF commitments. An audit's main goal is not to find the problems. Audits are part of a broader process aimed at fixing the problems, and collaboration is the best way to achieve solutions. It is for this reason that FWF's audit guidelines require auditors to interview trade union (on occasions when there is a factory union) and/or worker representatives. Worker representatives should also participate in the audit exit meeting, where audit outcomes and improvements to workplace conditions are discussed. Likewise, by seeking to involve member companies in the audit process, company representatives gain a deeper understanding of the problems in the sector and their underlying root causes. "FWF's audits are not about long checklists and fixating on minute details. Local specialists are the key to FWF's approach. They work to find the underlying problems – the root causes... Ultimately, if we want to solve these issues, we need to create an environment of trust and collaboration between buyer and supplier. FWF auditors have the expertise to find and explain problems as the audit unfolds – and to participate in discussions about possible solutions." – Ivo Spauwen, International Verification Coordinator at FWF. [Source: FWF]

CAP: Corrective Action Plan

A Corrective Action Plan is usually received after an audit at a factory. They are used to address issues in the factory and the company's supply chain. The CAP sets the procedure and tracks the progress of the remediation process. In practice it is usually an excel-sheet provided by FWF to the brand with information on the audit's findings, related legal background information about local laws and suggestions on how to solve the issues. This document is then sent back and forth between the brand and the supplier solving the listed findings step-by-step over a certain amount of time.

CoLP: Code of Labour Practices

The Code of Labour Practices is based on the conventions of the International Labour Organization (ILO) and the Universal Declaration on Human Rights. In the text below, references are made to specific conventions. Where clarifications of ILO Conventions are required, FWF follows ILO Recommendations and existing jurisprudence.

1. Employment is freely chosen: There shall be no use of forced, including bonded or prison, labor. (ILO Conventions 29 and 105)

2. There is no discrimination in employment: Recruitment, wage policy, admittance to training programs, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, color, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps (ILO Conventions 100 and 111).

3. No exploitation of child labor: There shall be no use of child labor. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years.“ (ILO Convention 138) „There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals.“ (ILO Convention 182)

4. Freedom of association and the right to collective bargaining: The right of all workers to form and join trade unions and bargain collectively shall be recognized. (ILO Conventions 87 and 98) The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions. (ILO Convention 135 and Recommendation 143)

5. Payment of a living wage: Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

6. No excessive working hours: Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate. (ILO Convention 1)

7. Safe and healthy working conditions: A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimize health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

8. Legally-binding employment relationship: Obligations to employees under labor or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labor-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programs. [Source: FWF]

CSR: Corporate Social Responsibility

Corporate Social Responsibility means that a corporation is committing itself to sustainable economic development – on one's own authority, by choice and beyond any legal regulations. For that matter a specific focus is set on the responsibilities towards the actual environment as well as on the key markets, towards commercial partners (such as manufacturers) and employees. (www.riedaily.de/blog/en/responsibility)

FWF: Fair Wear Foundation

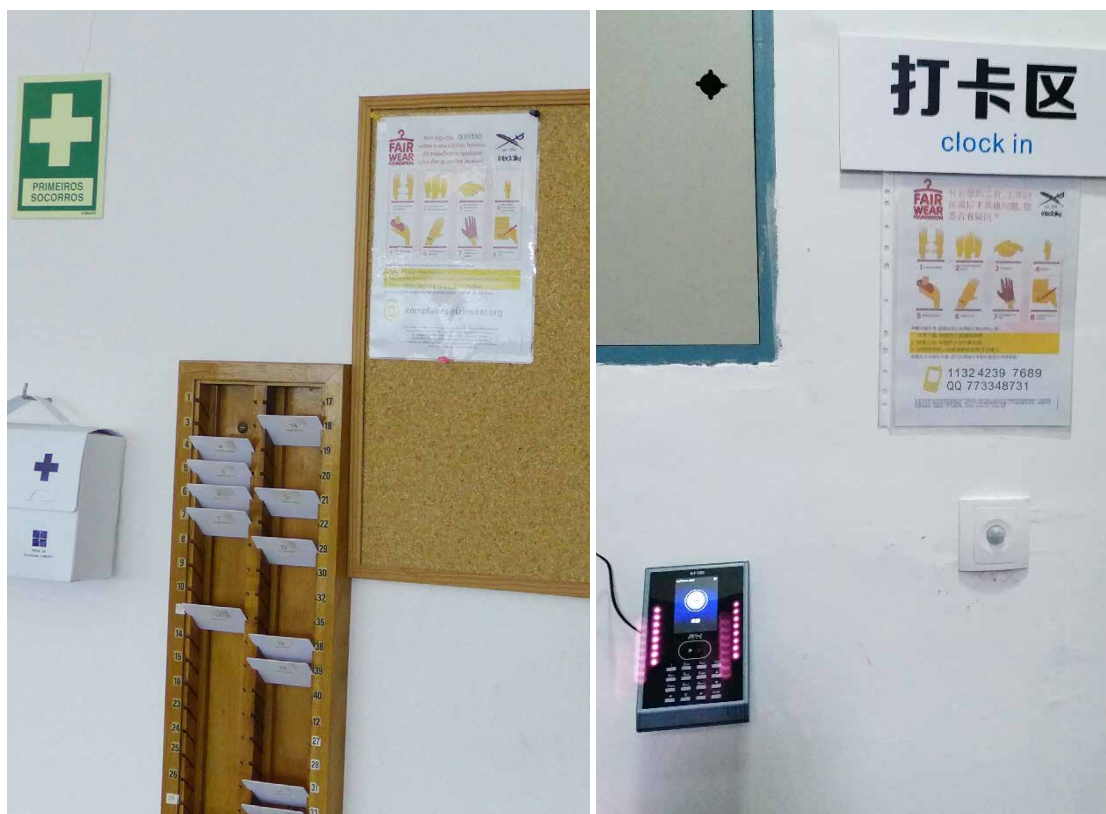
Fair Wear Foundation works with brands, factories, trade unions, NGOs and sometimes governments to verify and improve workplace conditions in 11 production countries in Asia, Europe and Africa. FWF keeps track of the improvements made by the companies it works with. And through sharing expertise, social dialog and strengthening industrial relations, FWF increases the effectiveness of the efforts made by companies. The FWF's more than 80 member companies represent over 120 brands, and are based in Europe. Member products are sold in over 20,000 retail outlets in more than 80 countries around the world. (www.fairwear.org)

WEP: Worker Education Program

The FWF Workplace Education Program (WEP) is a training session held at the factory, which aims to move companies beyond auditing and corrective action, and towards workplaces where issues are raised and resolved through open communication. The WEP aims to provide factory managers and workers with the tools they need to start an open dialog about issues and opportunities in the workplace and about how to improve working conditions in the factory. Increased awareness about labor standards, together with functioning grievance systems, can contribute to improving working conditions. Fair Wear Foundation provides both general and country specific modules. [Source: FWF]

WIS: Worker Information Sheet

The Worker Information Sheet contains the 8 Code of Labour standards and the contact to either the local complaint hotline or the FWF complaint email address and is to be hung in the production locations in a place that is visible to the workers. Furthermore, FWF recommends that a WIS is hung in a place where the reader will have some privacy, particularly from management. [Source: FWF]



Questionnaire: The questionnaire is part of the monitoring by the FWF affiliate.

The questionnaire is a form that must be sent to all supplier production factories after the company has become affiliated to FWF (Fair Wear Foundation) and then returned filled out by the supplier. It contains information about the business relationship of the supplier and the brand, the set up of the factory, subcontractors and more. The questionnaire also basically ascertains that the supplier knows what the labor standards are, that the supplier endorses these in principle and also agrees to working towards improvement, where necessary. The questionnaire will also yield information about the manager's view on compliance with the labor standards. However, this can never replace the audit, which takes other sources of information into account, besides the management. [Source: FWF]