

DW-SHOP

www.dw-shop.de

FWF member since February 1st, 2012

Financial year July 2013 – June 2014

Reporting from April 2013 – June 2014





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Summary: goals & achievements 2013

DW-Shop (DWS) was founded in 1976 through an initiative of *Deutsche Welthungerhilfe* as a sales platform for products of its supported development projects in Africa, India and South America, based on the "aid by trade" philosophy.

We are keeping this philosophy by implementation of FWF Code of Labour Practices, keeping long lasting relationship with suppliers and co-operating with small units like co-operatives or family business, many of them being member of Fair Trade Organisations.

About 45% of active producers are long lasting co-operation partners (at least 5 years), nearly 30% work with DW-Shop for more than 10 years.

We are more familiar with social and labour standards due to membership with FWF and engagement with social responsibility in general. Still there are many aspects for learning. The trainings for german staff of purchasing department, for indian staff and Brand Performance check were most helpful. Trainings are planned for 2015 to improve knowledge and system.

All suppliers for garments and other sewn products signed the Code of Labour Practice, send photos of Workers Information Sheets which are controlled during visits by buyers, local staff or intermediaries. Using FWF check lists ("Comment Health and Safety Problems" resp. "Basic Health Safety Check for CSR Staff") by buyers go without saying. Beside of that CSR representative gives details to buyers which have to be discussed during visits, f.i. aspects of Corrective Action Plan.

We are also using BSCI audit reports for getting more information about companies which are not FWF audited – this is helpful especially with new suppliers. The reports give clues which can't be find easily during visits by buyers. We are in touch with producers regarding needed improvements – even with good audits – and started using FWF "audit quality assessment tool" for evaluation of BSCI audit reports.

We didn't arrange as many audits as planned because several suppliers are working with home workers. There is no audit policy available for this kind of supplier. Furthermore not all producers are able to follow our upgraded quality standards and co-operation ended. This reduced number of available companies for any audit.

CSR representative (responsible for FWF) will visit producers for better implementation of standards. Focus of special effort regarding social and labour standards will be made with producers of high percentage of production, one will be audited this year.

Decision maker statement: Relevance of labour conditions and social standards are communicated clearly to all our suppliers. These are checked as far as possible during visits by buyer, local staff resp. intermediaries and of course by audits. While sourcing new producers we follow FWF guidelines. We are not forceful as we wish because we are a small customer for most of our suppliers because of low order quantity.

Producers can't be selected worldwide because we are a small company. We co-operate and support small companies. This cause a lot of work because it includes a lot of teaching, starting with pattern making over printing methods to packing.

We are confident to avoid overtime due to detailed delivery schedule in agreement with producers – please see photo at 1.3 production circle. Beside of discussed delivery date there is a time frame of at least four weeks, sometimes eight weeks. Producers are not informed about that extra time but delayed deliveries are not punished.

It's a good premise that CSR representative is part of purchasing department. She is familiar with operational procedure and understand producers in a better way. Departmental closeness improves the information exchange on various levels.

Furthermore it's planned that CSR representative will travel a lot more than considered originally. This is a good tool to implement the standards and conditions in a better way.

We are trying to order from companies with good social standards and labour conditions resp. with those producers who are willing to improve and agree to implementation only. Suppliers with good performance shall get more orders in future.

Our focus of implementation refers to suppliers where we are the exclusive customers, one of these suppliers is audited already, another one will be audited this year. It's a good opportunity for improvement on a big scale, WEP (workers education programmes) will be most suitable for these.

More audits have to be arranged next year. We are planning to start working with new suppliers and hope to build steady relationship in order to audit them. Furthermore we hope that audit of suppliers with homeworkers will be possible soon. This kind of producers have about 21% of order volume 2013/2014 and it will increase.

1. Sourcing strategy

1.1. Sourcing strategy & pricing

DWS' product range consists of ladies & men's clothing (72%), home textiles (12%) and hard goods (16%). Main sourcing country for garments and other sewn products is India (49%) followed by China (15%), Turkey (11%), Indonesia (9%) and Peru & Bolivia (4%) with the remaining 12% of the buying volume made up by a total of 20 different countries –projects (like co-operatives or family business) are in 12 different countries. Counting only textile production reveals a slightly different picture: India (53%), China (17%), Turkey (12%), Indonesia (10%), Peru (5%) and Bolivia (3%).

The chief buyers of three buying groups are responsible for all sourcing decision. General decision are discussed with head of purchasing department DBU. Main criteria for choosing a new supplier is range of products and its quality resp. during visit that factory corresponds to safety standards, f.i. by using checklist "Comment Health and Safety Problems" resp. "Basic Health Safety Check for CSR Staff". Since DWS is a rather small company working together with a supplier also depends on its geographical location. Suppliers situated in northern India or the Shanghai area are preferred since this allows easier handling (Inspection & quality control) and less costs for our India (New Delhi) and China (Shanghai) office.

If the product quality and the location check out well, DWS requests product samples and price negotiations are done if necessary. DWS products target the medium price level for sale. Before any order is placed we always ask the supplier to sign the CoLP. This is signaled by DWS to the supplier in the very beginning as the foundation for a business relationship. This signature also implicates the willingness of the supplier to undergo a social audit in the future. Besides CSR representative informing the supplier about the requirements of the relevant social code, the issue will be addressed by the chief buyers when visiting the factory. Head of purchasing department and all three buyers travel two times a year to their sourcing countries, visiting every supplier on average one time per year. With our active suppliers we have average partnership of 8+ years.



DWS maintains an office in India and China: Mr. Rajesh Jaitly and Ms. Rosa Tong visit the suppliers on a more frequent basis. DWS works with following agents as intermediary: Mrs. Esra Olcer in Turkey, Ms. Margot Geppert in Bali and Mr. Bhimo in Java. Main task is support in production and quality but also safety and health standards are checked by local staff and intermediaries resp. they help in follow up of CAPs.

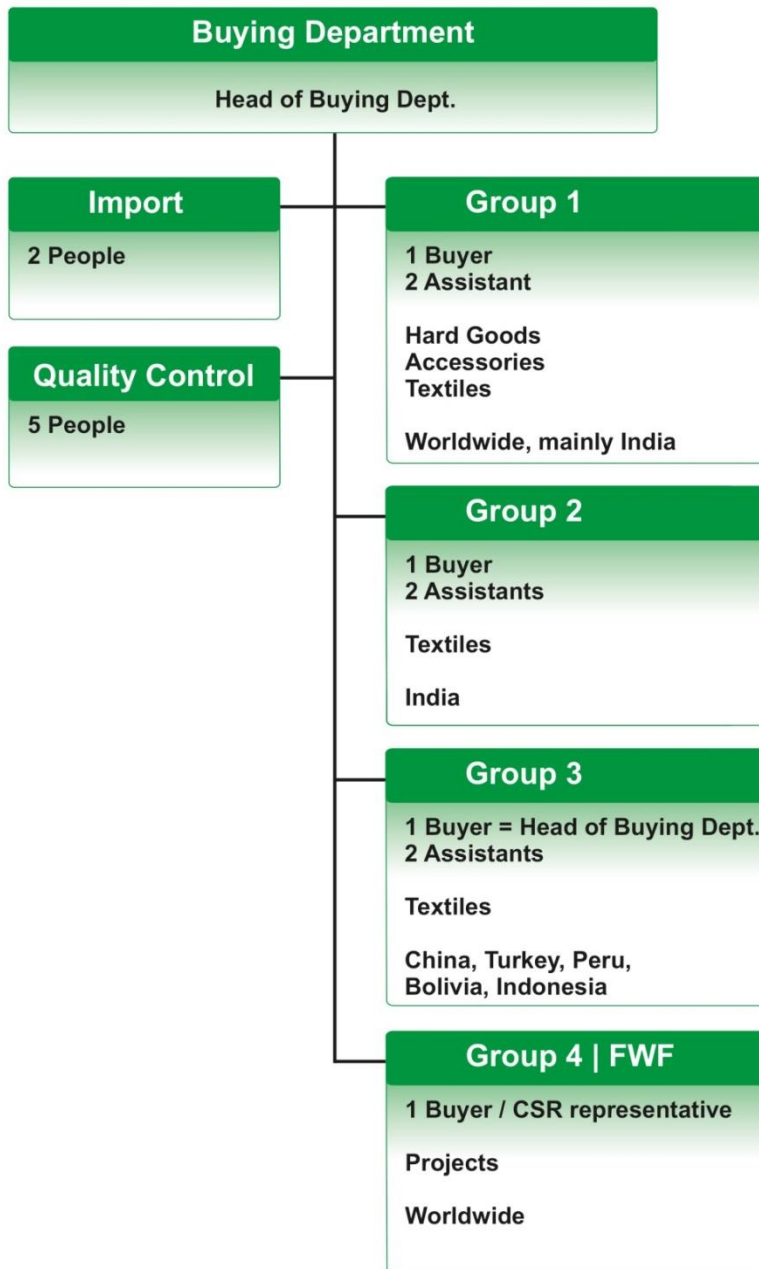
1.2. Organisation of the sourcing department

Group 1: Hard goods (decoration items), Hometextiles & Accessories

Group 2: Textiles / India

Group 3: Textiles / Indonesia, Peru, Bolivia, Turkey, China

Group 4: Projects/hard goods, CSR



1.3. Production cycle

DWS produces three collections every year, with about a 63:37 summer winter ratio. Production planning on the suppliers side is usually six to eight months with an average lead time of approx. 90 day. Planning and delivery dates are discussed with producers for better planning and avoiding overtime. There is a time frame (at least four weeks, sometimes eight weeks) between agreed shipping date and real shipment as per below photo and as described at page 3. Nothing happens to supplier in case of delayed shipment.

1.4. Supplier relations

DWS values long lasting co-operation. New suppliers are selected according to offered products, then social & labour standards are checked during visit of factory by buyer and/or by staff resp. intermediary according to FWF standards. Further details are described by "sourcing strategy"

Some relationships with suppliers ended because companies closed, one was ended because supplier was a middleman giving our orders to a producer. Now we are ordering from that producer without middleman. So far compliance issues have not been a sole reason for terminating a relationship although in some cases they had been part of the full picture.

Up until now there has been neither a reward system for good nor a punishment system for bad social performance. Orders have been placed by the needs of the buying department. But buyers are trying to favour suppliers with good performance.

In the past we have not collaborated with other brands when looking for new suppliers.

1.5. Integration monitoring activities and sourcing decisions

We use our monitoring system to evaluate the social performance of our suppliers. If the need for improvement is obvious we try to work together to tackle existing problems. However code performance are not yet connected to sourcing decision by means of a written policy but rather by some sort of "soft" decision support.

Our challenge for 2014 will be developing a more systematic monitoring system towards an improvement & reward system which directly links results to sourcing decisions and is transparent and comprehensible evrybody involved.

2. Coherent system for monitoring and remediation

Most suppliers are visited at least once a year by head of purchasing department and responsible buyer. Buyers are prepared as described at "summary". Local staff and intermediaries are visiting more often. Selection for audits considers factories of high percentage of production and long lasting co-operation resp. future co-operation shall be guaranteed as far as possible.

So far we are paying realistic and fair prices according to the knowledge of experienced buyers who know comparable prices due to her former work in other companies..

2.1. Country India

During last financial year DWS has partnerships with a total of 24 suppliers / factories in India which manufactured an accumulated 53% of the total DWS production. 6 production sites have been audited by FWF in the past, two of them in 2014. All suppliers have been visited multiple times by a representative of our Indian office. 13 out of 24 suppliers have been visited by one of the buyers.

Two audits will be made this year.

We did not receive any complaints in 2013/2014 for India.

Three supplier were audited against FWF CoLP (see below)

Factory A

| | |
|-----------------------------------|--|
| DWS production: | 60% at time of audit |
| Visited: | yes |
| FWF discussed personally on site: | yes (in 2012 & 2013) |
| Audited: | 22.08.2013 / FWF |
| Findings: | Workers not sufficiently informed about the FWF CoLP and grievance system. Documentation has to be improved, leaves were not paid, safety & health have to be improved (fire exit plan, extinguisher pressure) Positives: some workers get more than minimum wages. CAP followed up by e-mail and local staff |

Factory B

| | |
|-----------------------------------|--|
| DWS production: | 10% |
| Visited: | yes (by local staff) |
| FWF discussed personally on site: | yes (in 2012 & 2013) |
| Audited: | 13. & 14.01.2014 / FWF |
| Findings: | Workers not sufficiently informed about the FWF CoLP and grievance system. Creche and sick room were not proper, blurred floor evacuation system at cutting section department. Payment of unskilled workers below minimum wage. Positives: many lady tailors and factory maintains child labour inspection report of subcontracted units. CAP followed up by e-mail and local staff |

Factory C

| | |
|-----------------------------------|---|
| DWS production: | 4% |
| Visited: | yes (by local staff) |
| FWF discussed personally on site: | yes (in 2012 & 2013) |
| Audited: | 16.05.2014 / FWF (verification audit) |
| Findings: | FWF CoLP in Tamil not pasted. Workers and subcontractors not informed properly about the importance of FWF CoLP. The management needs to create awareness among all their workers about their policies, committees and their functioning and the same should be documented. The collective bargaining |



mechanism needs to be strengthened. Living wages to be negotiated with DW Shop. Antifatigue mats for all standing workers, chairs with adjustable back rest to all sitting workers, reduction of noise in the ironing section, first aid boxes should be adequately stocked.
Positives: Some employees children education is funded annually
CAP followed up by e-mail and local staff.

2.2. Country China

DWS has partnerships with a total of four factories, which manufactured an accumulated 17,2% of the total DWS production. All suppliers have been visited multiple times by the representative of our China office. 3 out of 4 suppliers have been visited by a buyer in August 2013.

One production site has been audited by FWF in the past, verification audit is planned for 2014.
Another production size will be audited this year.

Factory D

| | |
|-----------------------------------|--|
| DWS production: | 10% |
| Visited: | yes |
| FWF discussed personally on site: | yes |
| Audited: | 29.11.2013 / BSCI Audit (full) |
| Findings: | commitment to conform to all requirements of SA8000 was not defined, requirements of SA8000 were not promoted – solved by SA8000 documentation |

We did not receive any complaints in 2013/2014.

2.3. Country Turkey

DWS has partnerships with a total of five factories, which manufactured an accumulated 11,96% of the total DWS production. All suppliers have been visited multiple times by our Turkish intermediary. 3 out of 5 suppliers have been visited by a buyer in January 2014.

We received one complaint for producer and supported clearing although we stopped co-operation with this company already.

2.4. Country Indonesia

DWS has partnerships with a total of two factories, which manufactured an accumulated 9,65% of the total DWS production. All suppliers have been visited multiple times by our Bali intermediary and the Indonesian agency. These suppliers have been visited by a buyer in April 2014.

2.5. External production

Some suppliers have subcontractors, we discuss with them before production starts that goods have to be made by company itself, not by subcontractors. We are trying to control it, mainly by local staff resp. intermediary.

3. Complaints handling

Beginning of 2013 we had the first complaint regarding "Freedom of Association" and "Legally binding employment relationship. After following internal procedure we contacted supplier as well as intermediary in order to clear these matters although we stopped co-operation with this company already.

There were no further complaints. DWS complaint procedure will be revised for being more systematic and focus on finding out root causes.

4. Training and capacity building

4.1. Activities to inform staff members

There was a training in January 2014 for head of purchasing department, buyers and CSR representative. Information of this training were given to all members of purchasing department. In 2013 have been individual talks between CSR representative (part of marketing department) and purchasing department. Since 2014 CSR representative is part of purchasing department and there is a constant exchange.

Local staff in India was trained in February 2014. During visits from buyers FWF aspects are discussed.

4.2. Activities to inform agents

Agents were informed in detail in 2012 and during visits from buyer it's discussed.

4.3. Activities to inform manufacturers and workers

All manufactures were informed about FWF membership by DWS via buyer at meetings, by mail from CSR representative and by the respective local DWS staff or intermediary via phone or visit at suppliers' headquarter.

All relevant FWF documents have been forwarded, signed CoLPs collected and suppliers asked to inform workers about DWS' FWF membership and its implications.

There were no DWS initiated trainings for management or workers on code implementation.

5. Transparency & communication

FWF membership has been communicated on our subdomain <http://deinewelt.dw-shop.de>. There are two articles which describe the FWF principles and our membership. These articles were the subject of two newsletters sent to our 20.000+ subscribers.

Membership itself is also communicated with the FWF logo in the service section of each catalogue.

In 2015 we will launch our new shop/website. This will lead to a new and optimized site structure. Through this our customers will be able to reach information about FWF within two clicks from almost every site on our website. This will positively impact our communication efforts about FWF. Furthermore are we planning to rewrite our informational material and add more details about the FWF principles. The FWF Logo will also be used on more occasions on the website than now (always in accordance with the FWF marketing guidelines). We hope this will entice our customers to visit our pages about FWF or the official FWF website.

An internal newsletter to inform staff about our goals and progress regarding the FWF membership is also planned for 2015.

6. Stakeholder Engagement

There has been no stakeholder engagement yet with regard to analysing / improving work place environment besides joining Fair Wear Foundation and the execution of first social audits.

We didn't use stake holder resources but will do and include country studies as well as other input.

7. Corporate Social Responsibility

DWS by contract supports german NGO *Welthungerhilfe* (www.welthungerhilfe.de) with a large part of its yearly earnings and has contributed a total of 25+ mio Euros over the last 36 years. The money helps to finance *Welthungerhilfe* projects all over the world.

All DWS employees participate in a payroll giving activity. The collected money is donated to the *Deepam* project for children with special needs (www.deepam-auroville.in) in Tamil Nadu / India.

DWS as an employer makes sure that all employees are treated fairly and voluntarily receive amenities such as additional monthly salary as Christmas payment amounting to 1/12th of yearly salary, additional payment to private old age rent, taxfree compensation for capital accumulation purposes, life insurance, 30% discount on public transportation season tickets. DWS employs handicapped workers and built solar panels at roofs of his building eight years ago. Environment protection is also part of the responsibility.