

DW-SHOP

www.dw-shop.de

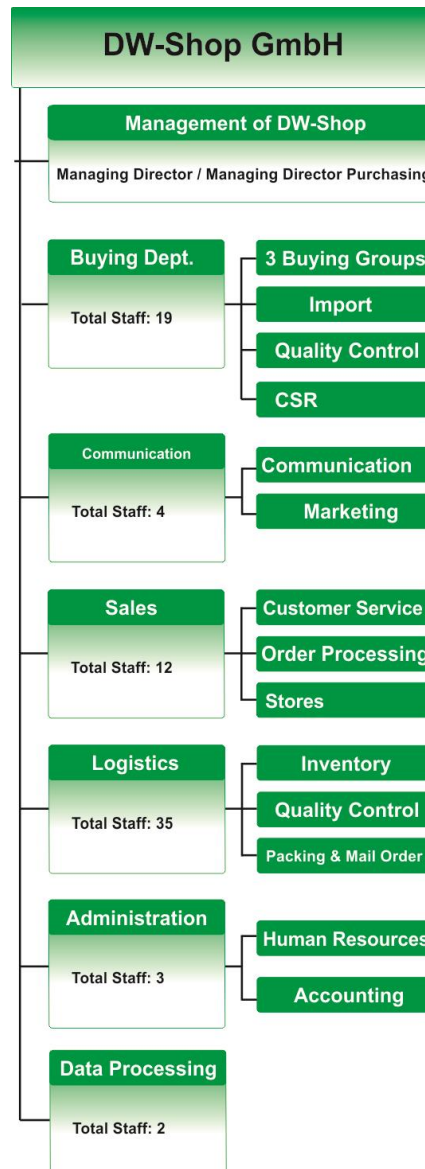
Start date membership

February 2012

Reporting period (financial year)

July 2015 – June 2016

Organisational chart



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Summary: goals & achievements 2015/2016

DW-Shop 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. DWS tried to built long lasting and supportive business relationships with producers, mainly small companies, co-operatives and work shops. Meanwhile some companies increased or DWS started business with bigger factories of 150 workers and more.

Joining Fair Wear Foundation, a non-profit, independent organization in February 2012 was an important step for a systematic methodology of fair working conditions and good social standards. It's still a long way to go and many improvements are necessary.

Therefore we increased our efforts regarding various aspects: Audits were showing that management and workers of our suppliers were not well informed despite of our provided specifics. Therefore we noted that FWF workplace education programme (WEP) is even more important than expected before. It's an in-house training for manager and workers for raising awareness of FWF Code of Labour Practice (CoLP), improving communication and grievance mechanism. Five of our producers were trained by WEP during last financial year.

Four new FWF audits in India and Turkey were done in 2015/2016, fifth audit for a subcontractor had to be canceled because producer stopped co-operation with subcontractor. Generally the audits are a big help to learn more about factories..

Although wages were discussed with producers it happened that security personnel was paid below minimum wage. It's difficult to make clear that the factory manager is responsible for the same even if security guards are from "service providers". One manager used wrong classification for security guard.

CSR manager visited Indian producers – additionally to visit by buyer – for better re-explanation of FWF Code of Labour Practice (CoLP) and audit/corrective action plan (CAP) follow up. Beside of that situation of female workers, grievance mechanism as well as health and safety issues were discussed in detail.

Another journey of CSR manager to Peru gave opportunity to practice DW-Shop concept for home workers based on FWF questionnaire for home based work on site.

Some of our suppliers have 3rd party audits, f.i. Sedex- or BSCI-audits. These are checked most carefully for all producers. 70% of our FWF suppliers are audited and 10% manufacture the garments with homeworkers.

We improved our supplier database including grading system and started with "evaluation criteria sheet" for each supplier.

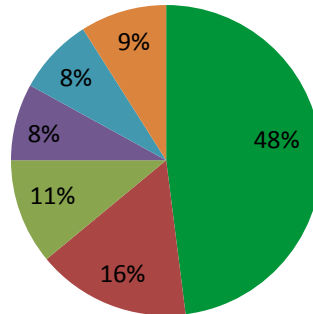
1. Sourcing strategy

1.1. Sourcing strategy & pricing

Mainly DW-Shop is selling ladies garments which is 80% of complete range - made in India primarily, in China as well other countries like Indonesia, Turkey, Peru and Bolivia. DW-Shop doesn't have own factories. We import all garments ordered by us.

Hardware like decoration items and jewellery is approx. 20% of our range, mainly from India, small part is made in Nepal, Indonesia, Philippines, Bangladesh and South America. All in all we are sourcing complete range of goods in nearly 20 different countries.

Countries of our complete range 2015/2016



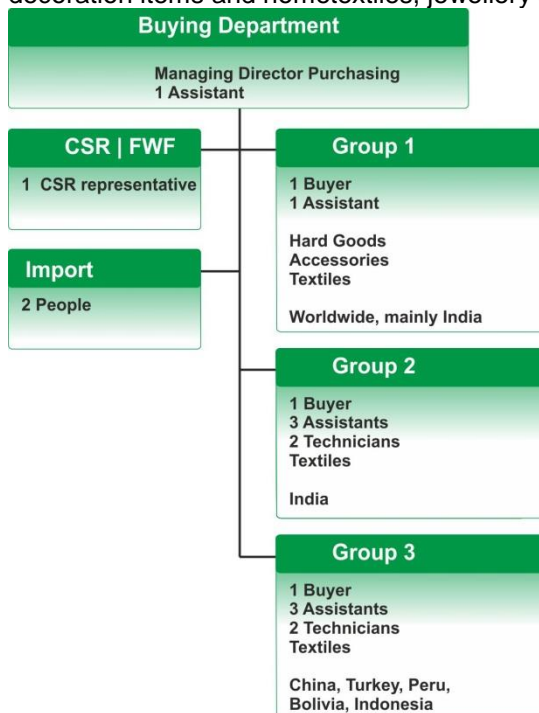
■ India ■ China ■ Indonesia ■ Southamerica ■ Turkey ■ others (a.o. Asia & Africa)

Suppliers are chosen carefully. Designs and quality as well as labour and social standards are considered. Factories are visited by buyer, CSR manager, agent or quality assurance personnel. All suppliers signed FWF Code of Labour Practice before business started. Prices are negotiated with suppliers (considering material, style/pattern and production time) and judged according to experience of Managing Director Purchasing and buyers.

We are working for more than 5 years with more than 60% of our factories for garments, hometextiles and accessories resp. 35% are partners for more than 10 years..

1.2. Organisation of the sourcing department

Buying groups are divided according to products and countries. Group 2 & 3 are sourcing garments and some accessories like scarves. Group 1 is buying mainly decoration items and hometextiles, jewellery and accessories are covered too.



1.3. Production cycle

Originally DW-Shop produced three collections every year, with about a 65:35 summer-winter ratio. During last financial year we offered new styles in all nine catalogues but have five delivery deadlines for these nine catalogues. Production planning on the supplier side is usually six to eight months and new time frame (example below, gives at least four weeks between agreed shipping date and real shipment). The time frame as planning system was implemented in 2014 in order to avoid any overtime. During audits overtime was found but producers informed us that our time frame didn't cause any excessive overtime. So the planning system is at least a partial success. But we don't trust on our system only, delivery schedule is discussed with producers according to ordered styles.

Buying process includes sourcing styles from producer as well as proposing designs to supplier. Styles and material/quality are selected, prices are discussed, orders are sent with detailed work sheets. Style, quality and workmanship are re-checked by sample sent from factory and approved by buyer/technician.

Long lasting suppliers are aware of our production cycles, new suppliers get information about the same in the beginning. Producers are informed about planned styles as soon as items are clear for rough planning. Upon receipt of orders production can be planned finally by suppliers.

1.4. Supplier relations

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

Co-operation with an Indonesian supplier ended mid of this year. The producer stopped production by home workers last year. 3rd party audit in January 2016 was showing bad result of factory, situation between visit in April 2015 and April 2016 changed considerably, improvements were not done seriously, follow up was unsuccessful. Business with two Indian suppliers was decreasing during last years and finally ended. Main reason was misjudgements of their range and too many suppliers for scarves.

Until now there is not a reward system for good social performance. Orders have been placed by the needs of the buying department. But buyers are trying to favour suppliers with good performance. Bad social performance involves a detailed and critical follow up and might cause punishment.

1.5. Integration monitoring activities and sourcing decisions

We use our improved supplier database as monitoring system to evaluate the social performance of our producers. Evaluation of all producers is discussed by Managing Director Purchasing, buyers, CEO and CSR manager at least once a year. Social performance is not yet connected to sourcing decision by means of a written policy but rather by some sort of "soft" decision support.

DWS doesn't start business with companies who don't accept FWF standards and don't sign Code of Labor Practices. If major issues are found during an audit or are reported otherwise we investigate and ask immediate action. For the first time we made the experience of unwilling producer and have to reduce order volume resp. stop co-operation in case of enduring refusal to improve according to audit findings.

2. Coherent system for monitoring and remediation

DWS monitoring system states supplier, production location, number of workers, leverage as well as audits and more details. Companies with production by subcontractors are checked most carefully, another questionnaire for basic data and labour standards has to be filled. Most suppliers are visited at least once a year by Managing Director Purchasing and responsible buyers. They are prepared by CSR manager for checking standards like health & safety as well as workers information sheet and any special details. Local staff and quality assurance personnel are visiting more often. CSR manager visited producers in India and Peru.

All audits of factories and corrective action plans are checked by DW-Shop. We appreciate FWF audits in order to get deep insight that factories correspond to social and labour standards as per Code of Labour Practice and planned audits accordingly, among others with three long lasting suppliers.

2.1. Factories in China

Buyer visited suppliers in January 2016 and supported mail correspondence of CSR manager as well as follow up of FWF corrective action plans. As exemplification buyer discussed situation of workers, grievance system and committees, overtime as well as ergonomic programme. Three workplace education programmes (WEP) took place in April and May 2016. As described before (page 3) it's a good way to inform management and workers in detail about FWF Code of Labour Practice, mutual communication, grievance mechanism and more. Upon receipt of WEP reports we were in touch with producers and discussed highlights resp. evaluation of training.

2.2. Factories in India

One workplace education programme took place in July 2015. Buyer visited suppliers in January/February 2016 and CSR manager visited factories in February/March 2016. Among others CSR manager discussed situation of female workers (including Sumangali), grievance mechanism as well as health and safety issues during visit of factories.

Three FWF audits, one WEP were arranged and five 3rd party audits took place. Main issues of FWF audits were incomplete records, therefore important issues couldn't be verified properly, security guards were paid below minimum wage.

First audit in March 2016 was done with new supplier no. 8879 on whom we had high expectations. Personnel files were not maintained completely, appointment letters not given to workers, wage and overtime levels couldn't be verified due to improper/missing documents. Grievance mechanism needed improvement, more trainings for workers are necessary.

Further FWF audit was done in May (supplier no. 9395) with bad result because registers and documentation were not available, records on overtime were not maintained properly. Some workers were paid below minimum wage. Safety issues needed improvement.

Other audit was done in June: factory no. 7518 and subcontractor no. 9350 in Jaipur. No proper time recording system was in place and overtime couldn't be verified, lack of records like personnel files were important issues, written contracts were not given to workers.

As soon as FWF audit reports and corrective action plans were received these were sent to respective company and necessary improvements were discussed. Special care have been taken regarding wrong wages, overtime and insecure working conditions. We got pay slips, wage for security guard was upgraded from unskilled to semi skilled worker (no. 8879), policies and overtime registers (no. 9395) as well as photos.

BSCI audit of factory no.7517 in Gurgaon took place in October 2015. As usual FWF quality assessment tool was used and corrective action plan followed up. Details about grievance mechanism, working time and wages have been given by supplier.

In November new supplier no. 8880 in Ludhiana was audited. Follow up regarding wages and working time etc. took place, safety issues like hand and guard rails as well as visual fire alarm have been taken care of.

Long lasting producer no. 2456 in Noida (since 1985) who was FWF audited in January 2014 had a Sedex audit in January 2016, safety issues like missing handrail were found and improved..

2.3. Production locations in Indonesia

Managing Director Purchasing visited producers in Bali and Java in April 2016, discussed home based work on site. Introduction of FWF questionnaire for home based work as well as questionnaire itself were sent in 2015. Workers operating at home for supplier no. 2454 were visited, questionnaires followed. Homeworkers can influence the amount of production they need to do, co-operate with various companies and earn at least minimum wage.

One producer no. 2464 stopped co-operation with home workers last year, was audited in January 2016 but follow up of corrective action plan was not successful – neither during visit nor by mail before. Audit was showing bad result of factory, situation between visit in April 2015 and April 2016 changed considerably. During audit personal files, working contracts, time records were not provided and workers were not trained. Co-operation ended due to suppliers attitude.

2.4. Production locations in Peru

CSR manager visited supplier no. 2493 who is producing knitted styles with homeworkers mainly. Supplier got introduction of FWF questionnaire for home based work as well as questionnaire itself in 2015. Given information and relation to home workers were discussed on site: personnel files and signed pay slips are kept, no written contracts. It's difficult for supplier to find home workers doing good quality, there were a lot of problems in 2015. Furthermore number of artisans doing handknitted garments is decreasing. Workers operating at home were visited, information about co-operation checked mutually, visited workers earn at least minimum wage and have regular working time according to their own statement, can influence the amount of production they need to do. Most of them would appreciate more regular orders resp. more work.

2.5. Factories in Turkey

Buyer and assistant visited suppliers in June 2016, checked FWF audit follow up, supported mail correspondence of CSR manager and re-activated co-operation with audited producer no. 2882. One producer no. 7434 was audited in August 2015 and workplace education programme took place in May 2016. Essential basics like emergency evacuation plan were missing during audit, documentation incomplete and overtime premium was not paid regularly, subcontractors were found, these were not mentioned by supplier to DW-Shop. Supplier sent photos of grievance and 1st aid box, emergency signs, closed area for compressor and information about payments. Guidance on the risks related to Turkish garment factories employing Syrian refugees were sent to producers and discussed by quality assurance personnel.

2.6. External production

DW-Shop doesn't buy garments from other brands for resale in a retail or wholesale (web) shop owned by the affiliate, has own label production only.

3. Complaints handling

All producers are getting FWF workers information sheet (incl. helpline phone number) and we check posting by photos resp. during visits. But complaints usually arise during or after an audit. CSR representative Regine Henschel is responsible for dealing with complaints. DW-Shop has a general procedure for complaints: upon receipt of complaint CSR representative informs producer about the same as well as local staff, emphasis

solution of problem/complaint, consults CEO and buyer immediately. Due to former audits we noted that it's important to ask for name of workers representative resp. details about committees, by mail or during visit. By this way we try to ensure that workers are aware of complaints procedure and include workers in remediation process. Complaint of former financial year with factory no. 5376 was closed in July 2015: promised wages were not paid, appointment letters were not given to two workers and final payments were not correct. Upon receipt of complaint in May 2015 above described procedure started up. Issues were discussed with company, explanation required and with support of FWF a solution was found and complaint closed.

4. Training and capacity building

4.1. Activities to inform staff members

The whole staff is aware of FWF membership. Buyers are briefed about general issues of social compliance and the detailed requirements for successfully fulfilling FWF membership by CSR manager. CEO Ferdinand Solzbacher and Managing Director Purchasing, buyers and assistants get travel reports from CSR manager and from buyers. Audit results as well as details of German and international stakeholder meetings are communicated during quarterly sales meeting or in between. CSR manager participated again at affiliate seminar in September 2015. German Stakeholder meeting in February 2016 was visited by CSR manager as well as one buyer. All DW-Shop employees are informed by newsletters, CSR manager is always open for any questions and work on increasing awareness of various CSR issues in daily work of purchasing department.

4.2. Activities to inform agents

DW-Shop maintained an office in India until May 2016, local staff in India was trained by FWF in February 2014. New agency in India was visited in March by CSR manager for detailed instructions about FWF Code of Labour Practice, way of support by agency. Quality assurance personnel in China, Indonesia and Turkey were informed in detail and get all correspondence concerning social compliance, audits and CAP follow up. During visits social & labour standards of producers are discussed.

4.3. Activities to inform manufacturers and workers

Business partners are informed about FWF membership. All suppliers signed FWF Code of Labour Practice before business started. Factories have to explain FWF workers information sheet (WIS including contact details of complaint handler) to workers and post it at notice board, clearly visible. CSR manager visited producers the first time, re-discussed FWF Code of Labour Practice in detail. Face to face explanations are much more efficient than information by mail or phone. Several FWF workplace education programmes took place. Management and workers are trained in local language. There were three in China, one in India and one in Turkey. Totally seven factories were trained by this programme.

5. Information management

CSR representative as part of buying department is in constant touch with Managing Director Purchasing and buyers, provides necessary information, maintains supplier register at FWF website and internal supplier data.

Buyers talk about production location and any subcontractors with suppliers, check production locations during visits. If producer co-operates with subcontractor and location is nearby it's visited by buyer too. Subject of subcontracting is discussed with

suppliers by CSR Manager according to filled FWF questionnaires as well. Local staff and technicians inform DW-Shop in case they notice any irregularity concerning production locations/subcontractors.

6. Transparency & communication

DW-Shop joined FWF in February 2012 and we published it at special catalogue pages in two of our catalogues in 2012.

FWF membership is main part of DW-Shop corporate website. After relaunch in 2015 our customers are able to reach information about FWF within two clicks from almost every site on our website. Website will be revised for further specifications about FWF and social compliance. Our membership is communicated through various articles in our blog (www.dw-shop.de/aktuelles) and by publishing our annual social report at www.dw-shop.de/soziale-verantwortung-fair-wear-foundation.

Furthermore membership is featured in our print catalogue service section with the FWF logo. To gather attention for FWF and our membership on the street we put multiple stickers in our store windows. These promote our membership to passing people and our customers visiting the store.

7. Stakeholder Engagement

DW-Shop is in touch with stakeholders due to Fair Wear Foundation resp. annual conferences. CSR manager tried to get in touch with unions in Peru but didn't succeed, she met Sustainable Trade Manager from PromPerú. It's a department of government that promote Fair Trade.

Country studies, general information about countries and country indicators, details about Sumangali scheme as well as information given in audit reports are useful notifications for us.

8. Corporate Social Responsibility

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

All DW-Shop 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. Also all money from yearly employee-sale goes to this project. DW-Shop as an employer makes sure that all employees are treated fairly and voluntarily receive the following amenities: 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. DW-Shop employs handicapped workers and built solar panels at roofs of its building in 2006. Environment protection is also part of the responsibility.