

Social Report 2016/2017



Member of Fair Wear Foundation since February 2012
Reporting year July 2016 – June 2017



Contents

Summary: goals & achievements 2016/2017	3
1. Sourcing strategy	3
1.1. Sourcing strategy & pricing	3
1.2. Organisation of the sourcing department	4
1.3. Production cycle.....	5
1.4. Supplier relations	5
1.5. Integration monitoring activities and sourcing decisions.....	5
2. Coherent system for monitoring and remediation.....	6
2.1. Factories in India.....	6
2.2. Factories China	6
2.3. Factories in Indonesia	7
2.4. Supplier & homemaker in Peru.....	7
2.5. Factories in Turkey.....	7
2.6. External production	7
3. Complaints handling.....	7
4. Training and capacity building.....	8
4.1. Activities to inform staff members	8
4.2. Activities to inform agents	8
4.3. Activities to inform manufacturers and workers.....	8
5. Information management	8
6. Transparency & communication.....	9
7. Stakeholder Engagement.....	9
8. Corporate Social Responsibility	9

Summary: goals & achievements 2016/2017

DW-Shop is proud of the wide range of garments, offering a variety of different styles and materials. Therefore DW-Shop faces the difficulty to need different producers with their special knowledge and skills. We have co-operation with more than 40 suppliers for garments and hometextiles, mainly in India, also in Indonesia, China, Turkey, Bolivia and Peru. This number doesn't include our co-operation partners for decoration, accessories and jewellery in further 9 foreign countries.

We made many visits to our suppliers in 2016/2017 in order to improve surveillance and evaluation. Among others subcontracting was addressed explicitly. Most of them were visited by buyer resp. assistant purchasing as well as CSR representative. CSR representative was in India, China, Bali & Java (Indonesia) and Turkey.

DW-Shop planned six FWF audits and three workplace education trainings (WEP). Most suppliers are audited by FWF or via 3rd party audits. The suppliers with home workers for production were visited again – as the year before. Evaluation was done according to FWF homeworker questionnaire and DW-Shop concept. Accordingly less than 5% of imported value is not audited.

DW-Shop improved production planning system in co-operation with suppliers in order to avoid overtime. Furthermore delays in shipment were accepted and styles had to be postponed to later catalogues.

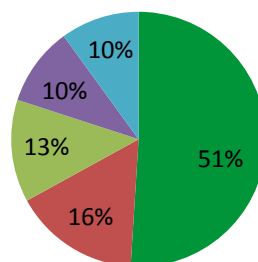
We developed evaluation system for each supplier. But we were not able to fulfill all requirements. DW-Shop is still in progress to discuss the labour cost of garments with factories and to move forward better wages.

1. Sourcing strategy

1.1. Sourcing strategy & pricing

DW-Shop is a mail order house, selling mainly ladies garments which are more than 80% of complete range - made in India primarily, in China and other countries like Indonesia, Turkey, Peru and Bolivia. DW-Shop doesn't have own factories. We import all garments ordered by us. DW-Shop cooperates with small factories mainly: at least 25 suppliers have less than 100 workers, around 15 of these have less than 50 workers.

Production value per country for garments 2016/2017



■ India ■ China ■ Indonesia ■ Southamerica ■ Turkey

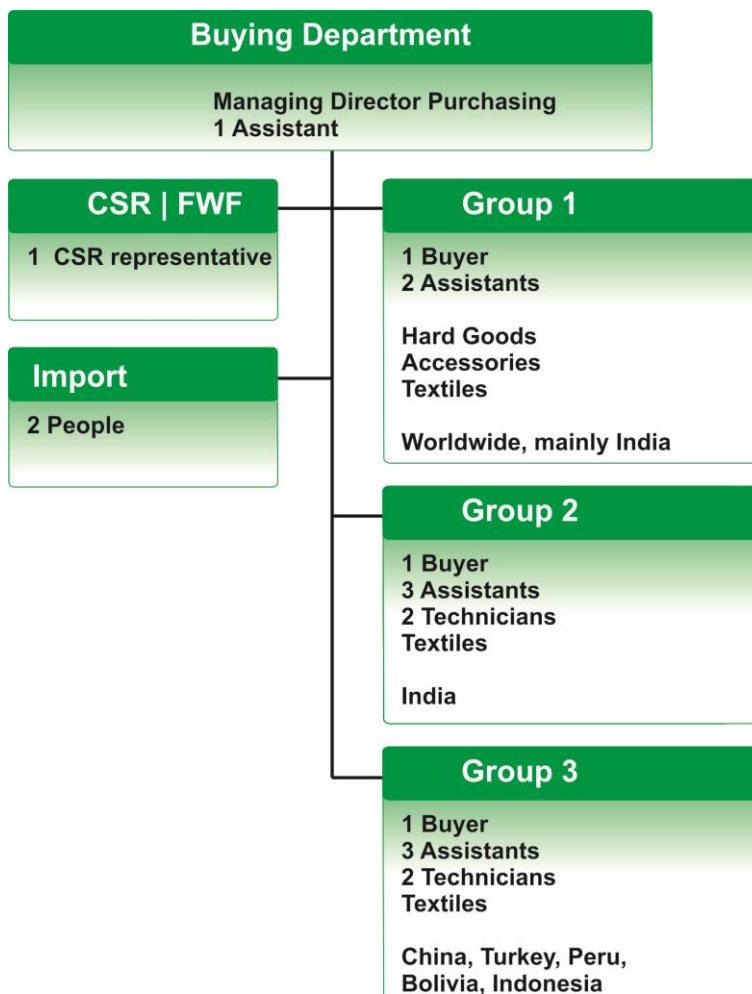
Hardware like decoration items and jewellery is approx. 11% of DW-Shop range, mainly from India, small part is made in Nepal, Indonesia, Philippines, Bangladesh, different countries in South America and Asia. Hometextiles are about 5% of complete range.

Suppliers are chosen carefully. Designs and quality as well as labour and social standards are considered. Factories are visited by buyer resp. assistant purchasing, CSR representative, agent or technicians (quality assurance personnel), Code of Labour Practice is discussed. 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. CSR representative supports in evaluation of factories.

We are working for more than 5 years with about 50% of our factories for garments, hometextiles and accessories.

1.2. Organisation of the sourcing department

Purchasing department is organized in groups where buyers, assistants and technicians are working closely together. Buying groups are divided according to products and countries. Group 2 & 3 are sourcing garments. Group 1 is buying mainly decoration items and hometextiles, jewellery and accessories are covered too. Since beginning of 2017 sourcing of scarves is part of their responsibility as well.



1.3. Production cycle

DW-Shop offers new styles in all nine catalogues since last financial year but has five delivery deadlines for these nine catalogues. Production planning on the supplier side is usually six to eight months and "time frame" gave 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 still found. Some producers informed us that our "time frame" didn't cause any excessive overtime. So the planning system was at least a partial success. However we improved production planning system in co-operation with suppliers with more details by end of financial year 2016/2017 for further advancement.

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 and requirements, new suppliers get information about the same in the beginning, are supported by agent resp. technicians (quality assurance personnel). Producers are informed about planned styles as soon as items are clear for rough planning. Fine tuning of production planning is made by improved planning system.

1.4. Supplier relations

DWS values long lasting co-operation. New suppliers are pre-selected according to offered products, then social and labour standards are checked and discussed during visit of factory according to FWF standards. Further details are described above by "sourcing strategy". Co-operation with new supplier in India started in order to include jeans styles to DW-Shop offer. Furthermore more business in Indonesia because of good sale of their styles but limited capacity of small existing production locations.

Co-operation with supplier in Great Britain ended around September 2016 because our focus are Asian countries mainly. Business with one Indian supplier couldn't be continued because prices for important styles increased by nearly 40% within 6 months, without logic explanation.

Until now there is not a reward system for good social performance. Orders were placed as per requirements for DW-Shop range. But buyers are favouring suppliers with good performance in selection of styles for catalogues.

1.5. Integration monitoring activities and sourcing decisions

DW-Shop uses detailed 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 representative at least twice a year. DW-Shop started 'evaluation criteria sheet' for each factory, rate is included to supplier list. 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 Practice. 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, DW-Shop had to reduce order volume considerably and has to stop co-operation.

2. Coherent system for monitoring and remediation

DW-Shop is in close communication with suppliers. In the beginning we inform new companies about our FWF membership, talk about social and labour standards according to Code of Labour Practice. All factories fill and sign FWF questionnaire before any order is placed. DW-Shop sends workers information sheet (WIS) in local language for posting. Workers information is checked regularly with new and old factories.

Many DW-Shop suppliers have regular 3rd party audits and in case of low leverage it doesn't make sense to ask for another audit by FWF. We keep track that our important producers are FWF audited. FWF reports give most detailed information about factory as well as latest information from local stakeholders. All audit reports are examined and corrective action plans are checked in co-operation with suppliers. It's the easiest to follow up audit and corrective action plan during visits. CSR representative visited most factories for evaluation in 2016/2017.

Visited companies were open minded and showing willingness to improve. Mostly wage lists, working hours and committee records were checked. Factory tours are part of visit. However audit result didn't correspond to evaluation during visits showing even more the importance of audits.

2.1. Factories in India

Buyer visited most suppliers in December 2016 and CSR representative in February 2017.

5 FWF audits took place in India and just one workplace education programme training was done, two had to be postponed. Audit results were below expectation. However DW-Shop doesn't stop co-operation. It's a challenge to improve conditions of further factories!

December. 2016 in Noida

Proper documentation has to be improved but records for piece rate workers have to be done. Grievance mechanism and some health & safety issues need enhancement.

April 2017 in Noida

Records were incomplete, all wages as well as overtime hours couldn't be verified, policies and procedure were not in place, not all details about subcontracting were shared with DW-Shop.

April 2017 in Delhi

Records were incomplete, all wages as well as overtime hours couldn't be verified. Workers records and committee files were inconsistent resp. partial.

May 2017 in Delhi

Original factory needed improvement, new factory was arranged in 2016 but documentation was very poor, many details couldn't be verified. According to management documents were available and it couldn't be explained why these were not shown to audit team (especially for worker that appeared to be below 18 years) and why office with sampling department was stated as another production location.

May 2017 in Jaipur

Despite of detailed production planning with factory and accepted delays in shipment excessive overtime and inconsistency of documents was observed, social security contributions were delayed.

2.2. Factories China

Assistant Purchasing visited supplier in October 2016 and CSR representative in February 2017.

July 2016 in Dongguan

Records for piece rate workers not maintained but excessive overtime seems to take place. Complaints are communicated by 'Wechat' instead of written log. Fire permit was missing.

2.3. Factories in Indonesia

Managing Director Purchasing visited suppliers in April 2017, got in touch with new agency for further support of sustainability. CSR representative visited in May 2017. Improved concept for homemaker evaluation resp. questionnaire was used. FWF started in Indonesia in 2016 and first FWF audit was possible for DW-Shop.

Dec. 2016 in Java

A small factory and it was their first ever audit. By and large, the workers were happy to work there as it is difficult for these workers to get work at other factories, mainly due to their ages. A lot of improvements are necessary like workers contracts, grievance mechanism, health & safety issues and especially wages.

2.4. Supplier & homemaker in Peru

On basis of extensive CSR visit in May 2016, checking documentation and homemaker co-operation in detail, assistant purchasing visited company and homemakers in May 2017, re-checking records and co-operation. Improved concept for homemaker evaluation resp. questionnaire was used.

2.5. Factories in Turkey

CSR representative visited factories in June 2017, re-checking CAP follow up with main producers and factories of other suppliers.

DW-Shop is not sourcing garments from Bangladesh and doesn't have any suppliers in Myanmar.

2.6. External production

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

3. Complaints handling

All producers are getting FWF workers information sheet (incl. helpline phone number) in local language. DW-Shop checks posting by photos resp. during visits. But complaints usually arise during or after an audit. CSR representative is responsible for dealing with complaints. DW-Shop has a general procedure for complaints. CSR representative asks for name of workers representative resp. details about committees, by mail or during visit. By this way DW-Shop tries to ensure that workers are aware of complaints procedure and include workers in remediation process.

Four companies were faced with complaints from factory workers via FWF hotline. The complaint in Turkey was solved by another FWF member in co-operation with DW-Shop.

The other complaints happened in India: 1) One dismissed worker claimed that he had not yet received his full and final payment, solved in August 2016. 2) One complaint regarding payment below minimum wage of security guard couldn't be solved by presentation of documents and worker was not contactable later. 3) According to FWF audit DW-Shop was informed about former co-operation with subcontractor of DW-Shop supplier. A teenager was working in this factory where no DW-Shop production took place. Supplier took care, teenager was paid by supplier and left subcontractor factory.

4. Training and capacity building

4.1. Activities to inform staff members

CSR representative informs purchasing department about general issues of social compliance and the detailed requirements for fulfilling FWF membership. After visits of suppliers travel reports are composed, sent to everybody in purchasing department, to CEO and CSR representative. Audit results as well as details of German and international stakeholder meetings are communicated during quarterly meeting or in between.

All employees are informed by quarterly newsletters. In November 2016 was a presentation during annual employees meeting, informing all colleagues about factory visits and evaluation as per Code of Labour Practice. CSR representative is always open for any questions and works on increasing awareness concerning variety of sustainability/CSR in daily work of purchasing department.

4.2. Activities to inform agents

New agency in India was visited in March 2016 & February 2017 by CSR representative for detailed instructions about FWF Code of Labour Practice, way of support by agency. Technicians (quality assurance personnel) in China, Indonesia and Turkey accompanied CSR representative during factory visits. Accordingly requirements according to Code of labor practice were re-discussed as per situation in factories. Generally they get all correspondence concerning social compliance, audits and CAP follow up.

4.3. Activities to inform manufacturers and workers

DW-Shop business partners are informed about our 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 representative visited most DW-Shop factories, re-discussed FWF Code of Labour Practice in detail. Face to face explanations are much more efficient than information by mail or phone.

DW-Shop encourages suppliers to take part in WEP trainings, last year 7 companies were trained, this year just one because two trainings were postponed. Management and workers are trained in local language.

5. Information management

Purchasing department and CSR representative are in frequent exchange about suppliers, DW-Shop improved internal system for keeping track of supplier database details.

Generally 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.

During visit in 2017 CSR representative explained specifically that DW-Shop needs to know **all** related factories/subcontractors, whether there is production for DW-Shop or not. Some suppliers thought that factories for DW-Shop orders were of interest only. DW-Shop composed 'factory agreement' to give clear production locations more importance. Each company has to sign the same.

6. Transparency & communication

FWF membership is published on DW-Shop website and information is accessible from each site. There our customers can also find DW-Shop Brand Performance Check and Social Report.

DW-Shop print catalogues contain a two page feature about FWF in which the guiding principles are presented and usually a story about a FWF related theme.

Furthermore every new customer receives with his first order DW-Shop 'image brochure' which also features a double page of information about FWF. DW-Shop store in Bonn uses multiple stickers on it's windows to communicate our membership to visitors and bypassers.

In July 2016 CSR representative arranged DW-Shop presentation 'Mode aus aller Welt' at „Katholisch-Soziales Institut (KSI)" in Bad Honnef about DW-Shop philosophy, co-operation partners and FWF code of labour standard, meaning of being FWF member.

The membership is also communicated through the newly released city guide "Faire Mode – Schöne Mode" in Bonn, produced by FemNet. (Introduction of new city guide on Sept. 26, 2017 in Bonn).

7. Stakeholder Engagement

DW-Shop is in touch with stakeholders due to Fair Wear Foundation resp. annual FWF conferences and other meetings regarding sustainability in Bonn.

Country studies, statements of local stakeholders in FWF audit reports, general information about countries and country indicators, details regarding 'human rights conducted due to diligence' (like Sumangali scheme or Syrian refugees in Turkey) 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. DW-Shop as a mail order house starting sale with flyers, first catalogues printed in 1979 and first store in Bonn was opened.

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 complete revenues from yearly employee-sale goes to this project. DW-Shop as an employer gives following amenities to employees: 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.