

# SOCIAL REPORT 2018

ARMEDANGELS

START DATE MEMBERSHIP: JUNE 2015

REPORTING PERIOD (FINANCIAL YEAR):

JANUARY - DECEMBER 2018



**“We realize that the damages our textile industry is causing are devastating. Over decades and centuries social standards have been ignored, animals industrially tortured, waterways and people poisoned; our planet’s environmental boundaries overrun. The entire global supply chain became all about the cheapest price – whatever it takes! And today we find ourselves in a fast fashion world with a throw-away attitude, feeding a monster that eats up our planet.**

**Already more than 10 years ago, our guts told us that it can be done differently. We didn’t have a master plan back then – still haven’t got one now. We just pull at the threads of our t-shirts, following them all the way back to the sources. We met our manufacturers, knitters, workers and farmers. We listened to and learned from them. Since then we keep improving every aspect of our supply chain from sourcing the most sustainable raw materials, abandoning pesticides and hazardous chemicals, investing in our farmers and improving labour conditions.**

**And this is still only the beginning...**

**We want to make a difference. Therefore, we are willing to break rules and do “business as unusual”. We want to use our business to enable change and work together with those that shares our vision. We want to create beautiful products without compromise that not only look and feel great but also can be worn for long and are responsibly made.**

**Products with a true value.**

**Together, we want to find solutions for the environmental and social challenges of our time. For us and the ones to come.**

**More than 90 employees are working every day to make our vision a reality and have made ARMEDANGELS a leading sustainable brand in Europe. We have nothing to hide. We are not perfect. But we want to stay true in what we do.”**

Martin Höfeler, CEO

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# Our Philosophy

We clearly see the social and environmental challenges of our modern lifestyle. The boundaries our earth is so blatantly showing us. The exploitation of human rights that is still a reality for so many people in the textile industry worldwide. We cannot ignore it, nor do we give up. It simply motivates us to find solutions.

And that is what we do at ARMEDANGELS. We make beautiful products that should neither endanger our environment nor harm the people who make them. We use the best sustainable raw materials, monitor the supply chain to make sure that harmful pesticides and hazardous chemicals do not find their way into our production chains, ensure that all people involved in our products work under fair conditions and that animal welfare is secured. From cotton farmer to sewer in Turkey to our own employees here in Cologne.

Here are our **guiding principles** in a nutshell:

1. We only choose **sustainable and low impact materials of highest quality** for highest product quality.
2. **We banned all hazardous chemicals** throughout the production process. We manage them with an input control system following rigid standards.
3. We responsibly select our **suppliers who share the same values**. We believe they are our partners and that is how we treat them. Trust, respect and understanding are the basis of our relationships.
4. We know all our partners. We visit them regularly at site. That way we have **unparalleled traceability in our supply chain**.
5. We trust in external **third-party audits** to receive a neutral verification on the status quo of each factory. We support our partners in implementing necessary changes to establish fair working conditions and an ecologically optimized production.
6. We offer **training programmes** and consultancy to our partners. We acknowledge that the global industry will only change in a framework of social, ecological and economic justice – therefore we support and assist our suppliers.
7. We **stopped negotiating product prices** but calculate prices based on true costs accepting full labour costs and demand suppliers to never pay below minimum, but encourage them to pay above
8. We have a deep respect for nature and animals. **We don't want to have animals neither killed, harmed nor mistreated** for any of our products. If we use animal products, we always make sure that it follows highest animal welfare standards.

# Summary: Goals & Achievements in 2018

ARMEDANGELS was founded in 2007 and is a leading European eco & fair fashion brand today. Our office is situated in the heart of Cologne, Germany. In 2018 we kept on growing – in terms of manpower, new suppliers, turnover and wholesale partners. We are present in more than 30 markets through our own e-commerce and 900 partner stores. We have 95 passionate employees, 79% of whom are female and 21% are male. 74% of our employees work full-time and 10% part-time. We also offer internships and jobs for students (11%) and 5% of our staff are on maternity leave taking care of our future.

Our goals are driven by our vision. And we are busy bees. So also, in 2018, we didn't lay low. There are numerous new projects and improvements at ARMEDANGELS. The following is a glimpse. The whole Social Report is a bit of a bigger glimpse mainly into our activities around fair working conditions. On our website and our social media channels, we talk about further exciting stuff, so make sure you stay tuned.

## What we did in 2018 for...

### ... the environment

By using 100% sustainable raw materials<sup>1</sup> for our products we were able to save...

68% Water

59% Energy

55% CO<sub>2</sub>eq.

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<sup>1</sup> Data relies on averages of savings of organic cotton, Lenzing fibres and rPET compared to generic, conventional fibres. LCA calculations were used based on the Higg Material Sustainability Index (Higg MSI) tools provided by the Sustainable Apparel Coalition.

### **... garment workers**

We are proud to announce that we achieved cost transparency for 100% of our products. This enables us to make sure that we not only have transparency in our fair share of wages, but also gives us a valuable tool to encourage our suppliers to go further.

During Fashion Revolution week, we generated €3.125 for the Bangladeshi National Garment Workers Federation, supporting factory workers' rights and seeking justice for the victims of the Rana Plaza disaster. With the help of this money...

253 grievance petitions were solved

82 workers got their jobs back

Workers received compensations of €104.586,00

597 case hearings could be opened

Our Black Friday looked slightly different to everyone else's. We managed to generate €7,190 to help the garment workers of our production sites in Turkey pay for their children's school fees for another year.

### **... diversity and equality?**

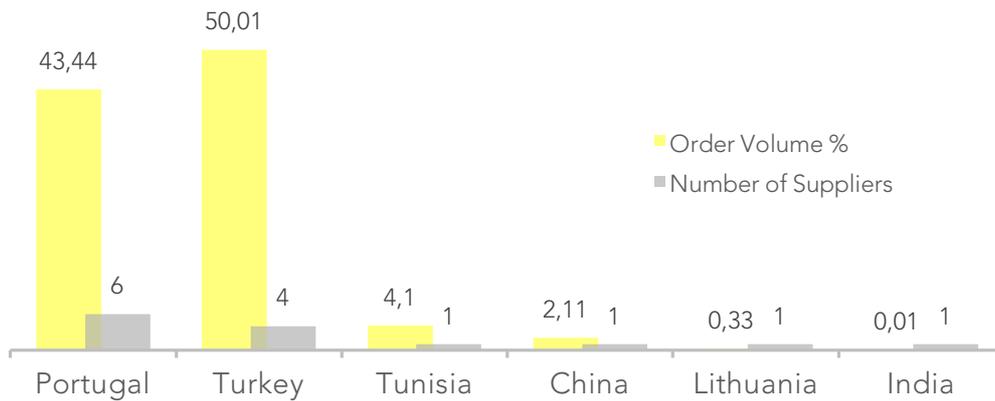
We've publicly spoken up against racist ideology and propaganda on social media. And our voice was heard loud and clear when our post calling out a racist customer went viral on Instagram, with an overall reach of 363,696 people out there.

### **...those in need?**

All in all, we donated 12.846 pieces to charity.

### **... our supply chains?**

In 2018, we worked with 16 first tier suppliers in Portugal, Turkey, China, Lithuania, Tunisia and India and began our responsible on-boarding process with one new first-tier supplier in Portugal.



The above chart shows the number of ARMEDANGELS first tier suppliers in 2018 and the respective order volumes (in %).

In 2018, 43% of our production was placed in the EU and 57% in countries classified by the Fair Wear Foundation as high-risk countries (Turkey, Tunisia, China, India). Through our Fair Wear Foundation membership, we monitor the development of suppliers. And the Fair Wear Foundation monitors us. In 2018, we were able to keep up the good work from 2017 and again received the title as a 'Leader'. As such we set the target to monitor 100% of our suppliers against the Code of Labour Practices of the Fair Wear Foundation, a level which we already almost reached in 2017, when 99% of our suppliers were monitored. In 2018 we reached our goal and successfully monitored 100% of our first-tier suppliers (and started already with audits deeper in the supply chain).

Long-lasting business relationships are key to a successful partnership. That is why 42% of our production volume was purchased from suppliers that we maintain a business relationship with for at least the past five years.

In 2018 our COO, Head of Buying, Product Managers, Designers and/or the CR Manager visited all suppliers in their factories to meet with them personally, to emphasize the ARMEDANGELS vision and mission in detail including our philosophy and our commitment to sustainability and forward-thinking production, to build trust and transparency and to learn from them. We talk about social and environmental practices from beginning when engaging with new suppliers and keep up the communication around these topics with existing suppliers. Our selected partners are mission-aligned suppliers that employ positive social and environmental practices, such as fair working conditions and monitoring of energy, water, waste, and emissions.

# 1. Sourcing Strategy

Sourcing practices at ARMEDANGELS have always been targeted to be sustainable. We have been doing it since day one as we know that sourcing responsibly is key to ensuring fair and safe working conditions as well as to improve quality, strengthening partnerships, supporting climate actions and building a solid brand, consumers can trust in.

Our sourcing practices include social and ecological parameters in all steps and our responsible pricing model is based on 100% transparency.

No matter if we talk about a cotton farmer in India or a sewer in Turkey, we work collaboratively with our partners and colleagues on this strategy. As a further back-up we are supported by voluntary standard and system-based tools of Fairtrade, GOTS (Global Organic Textile Standard) and the Fair Wear Foundation.

**Fairtrade's** main goal is to address the imbalance in the global trade by supporting small scale farmers and workers worldwide. A transparent system that allows the backtracking of cotton to its exact source is key. The Fairtrade standards set the framework for the workers' and farmers' social, ecological, and economic development. The standard dictates the payment of a stable Fairtrade minimum price on the raw material and an additional premium for community projects. The COO and the CR Manager travelled to India again in 2017 in order to meet the organic and Fairtrade cotton farmers of our supply chain to evaluate the systematics implemented at site. We continuously check and verify our partnerships to make sure that they are still efficient and striving for sustainable development.

The **Global Organic Textile Standard** (GOTS) counts as one of the strictest certifications for certified organically produced and processed natural fibres. It defines requirements that safeguard an ecological and socially responsible production of textiles – from the cultivation of the raw material to the finished product. All our partner factories are GOTS certified, regardless of whether the product will later be approved and labelled as GOTS or not (as this depends on the material mix). This way we make sure that also for non-GOTS styles ecological and social requirements are assured in production.

The **Fair Wear Foundation** is an international multi-stakeholder initiative with the primary goal to improve working conditions in textile factories jointly with their member companies. A strict Code of Labour Practice regulates the prohibition of child labour, the right to collective bargaining, safe and healthy working conditions, the implementation of living wages and an environmental conscious production just to

name a few. Different mechanisms are used to ensure the compliance with the Code of Labour Practices, such as auditing and trainings, as well as a complaint hotline for workers, among others. Monitoring the implementation of the FWF Code of Labour Practices is a costly and labour-intensive process. Therefore, we prioritise and distinguish between so-called high-risk and low-risk countries, which allows us to focus on where our support is most needed. Low-risk countries are determined by the presence and proper functioning of institutions such as trade unions, work councils, labour legislation and labour inspection. If those institutions are missing or are not working properly the risk of fundamental breaches in labour standards are higher. Our production countries Turkey, China and India are, hence, classified as high-risk, Portugal, on the other hand, is classified as low-risk.

Our CR Manager, our Sourcing & Quality Manager and the Buying department are mainly responsible for supporting our partners in the implementation of our guidelines and they are in direct contact with them (via mail, telephone or onsite during visits). Our guidelines are a set of principles and aim at establishing better working conditions and ecologically optimized processes.

We believe that collaboration is key – not only with our business partners. Therefore, we are always looking for innovative organisations to support us and learn from and we are continuously in contact with other brands sourcing from the same factories as well. We strive for a shared goal: To improve conditions in our industry. When we work together, our goals can be reached in a more sustainable way and can be implemented to last a long time – and that is a win for everyone.

## **1.1 Sourcing strategy & pricing**

In the industry the predominant factor in sourcing is still price. Whoever offers the lowest price, gets awarded and receives an order. Doing business that way poses numerous risks, among them a high risk of labour right violations.

At ARMEDANGELS, we look at our sourcing differently. It's about finding the right supplier to build a partnership. It is about purchasing goods and services taking into account the people, profits and the planet. It is about how our products are made, where they are made and by whom. It is about transportation choices. It is about being fair, transparent and open to all partners. And yes, our buying department also talks about prices, of course. We believe that ARMEDANGELS can't be leading in sustainability if we aren't leading in responsible sourcing & pricing.

But let's start where it all begins. For us, that's choosing the right and **most sustainable materials**. We focus on the following:

- Natural organic fibres, such as certified organic wool and organic cotton
- Sustainable cellulose fibres from our Austrian partner Lenzing, such as TENCEL™ Lyocell, TENCEL™ Modal and LENZING™ ECOVERO™
- Recycled synthetic fibres such as recycled polyester wherever a product requires synthetic fibres

The next step is to find the right partners to produce the yarn, the fabric and the ready-made garment. In 2018, we nearly achieved a full **supply chain transparency** meaning that we know all partners from raw material to finished product. That is tremendously important and key to the way we work here at ARMEDANGELS.

This way we can make sure that all our supply chain partners are GOTS certified and follow the strict environmental requirements set in the standard. It also allows us to verify that our supply chain partners endorse the FWF Code of Labour Practice and work on establishing fair working conditions for all. We invest heavily in strong relationships and a close dialogue to achieve this with existing partners as well as new partners.

Selecting new suppliers is based on our strict **responsible sourcing strategy**. Elements of our due diligence check are:

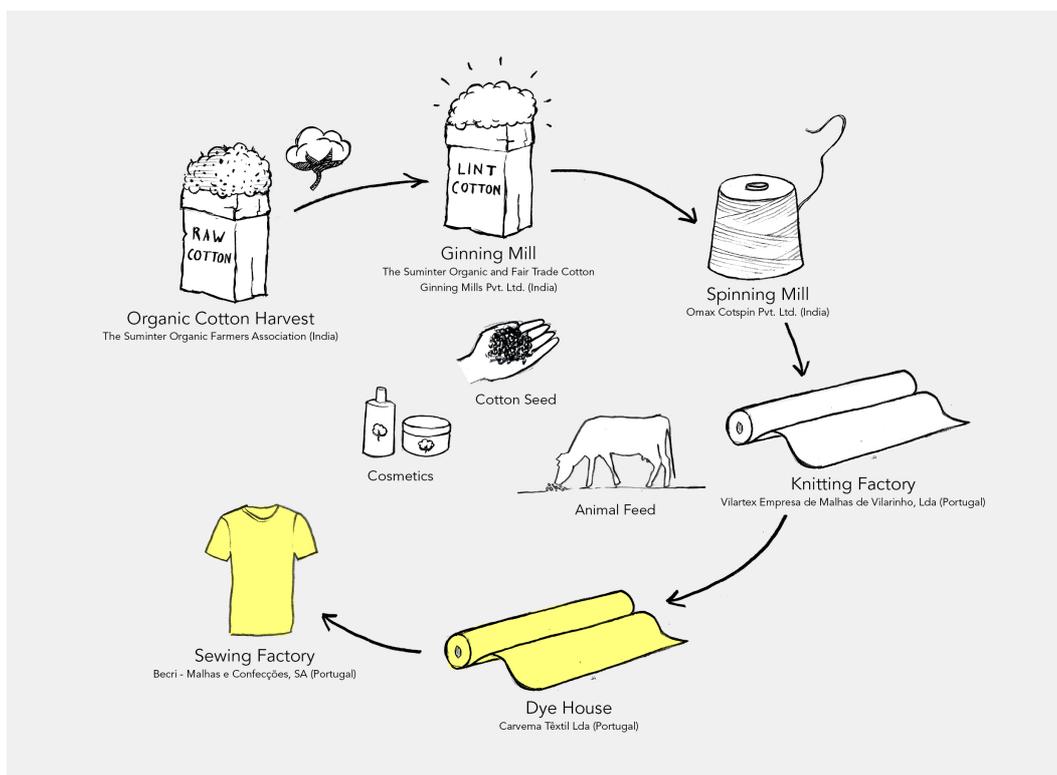
- Country and region (high-risk or low-risk)
- Presence and compliance with international labour standards (preferably the FWF Code of Labour Practices)
- Presence of internal management systems as well as solid systems to check compliance with labour standards in the supply chain
- Certifications and audit schemes present in the factory (ecological and social) and openness to get missing third party verifications (e.g. GOTS)
- Number of sub-suppliers and subcontractors
- Business relations and legal history
- Openness to conduct open & transparent costing methodology

The CR department as well as other key departments have a clear veto-right when selecting a new supplier for ARMEDANGELS.

Once the onboarding of a new supplier was successful, our Sourcing & Quality Manager as well as our CR Manager invest a lot of time and resources to **train and support our suppliers**. Additionally, we trust in the Workplace Education Programme

(WEP) of Fair Wear Foundation for further trainings regarding working conditions. Mutual understanding is key to this work. We don't want our partners to just do as they are told, but for them to really understand the reason behind this work and how it benefits not only the workers, but also the efficiency of the whole factory. Our experience has shown that establishing fair working conditions leads to improved work flow, productivity and higher quality as sick days, accidents and turnaround of workers are decreased, among others. Factories can hence decrease costs and increase output. Getting partners on board and excited for the way we do business is essential for a successful business relationship.

The first product our company designed in 2007 was a T-Shirt. A simple product made from certified organic cotton. And today, 11 years later, T-Shirts are still important in our collection. As quantities always increase, we had to find new partners over the years to produce our t-shirts – from raw organic cotton to finished product.



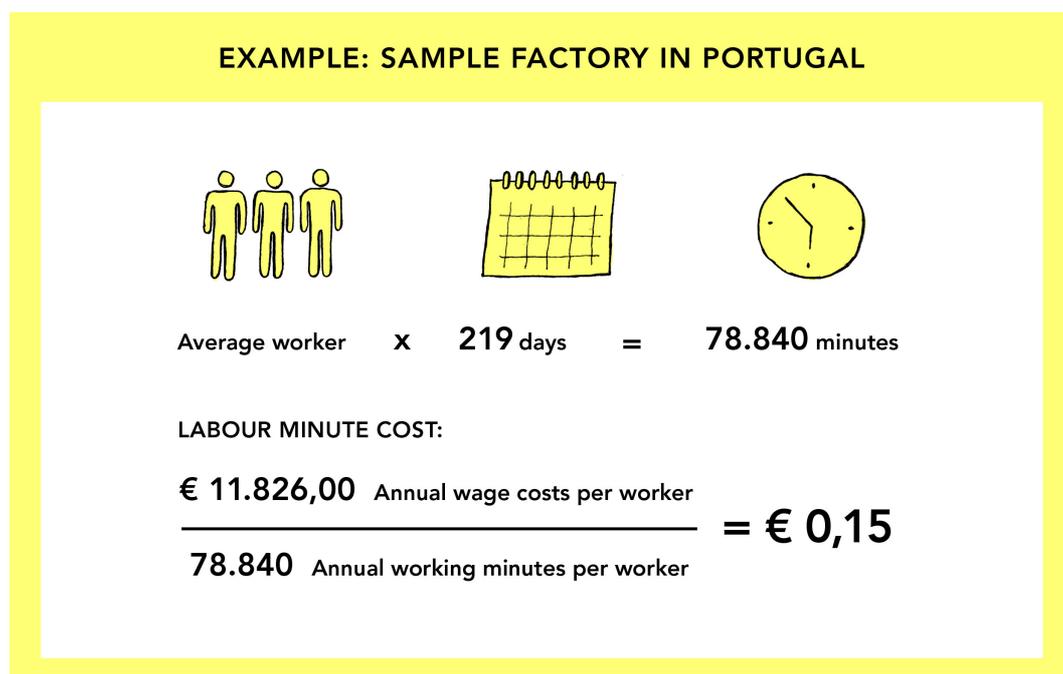
The picture shows the full supply chain of our JAAMES (solid) T-Shirt.

We offer our partners a high degree of transparency into our processes and aim for reliable and stable order schedules to build trust. Especially where short-term changes and re-orders are concerned, we know how important it is to act responsibly and forward-looking. Efficient planning, sufficient time for production and avoiding short-

term purchase order changes are essential to guarantee a punctual delivery without time pressure and forcing workers to do overtime.

While we offer a high degree of transparency, we also require it from each partner. In 2018 we were extremely busy implementing our new **responsible pricing methodology** which makes price negotiations almost obsolete. It basically is a radical open costing system, where we accumulate all information that make up the price of a piece of clothing. When we take the actual costs for fabric, accessories, trims, artwork, labelling and packaging as well as labour costs, overhead and profit, there really is no need to negotiate anymore. It is, what it needs to be to be fair to workers, management and us as the brand.

In order to integrate the labour costs into each calculation, we use a methodology called **labour minute costing** introduced to us by FWF. The following exemplary calculation breaks down the labour minute cost of one of our partner factories in Portugal where our T-Shirt JAAMES (solid) is manufactured:



Above chart shows the Labour Minute Cost Calculation as we use it for all our products.

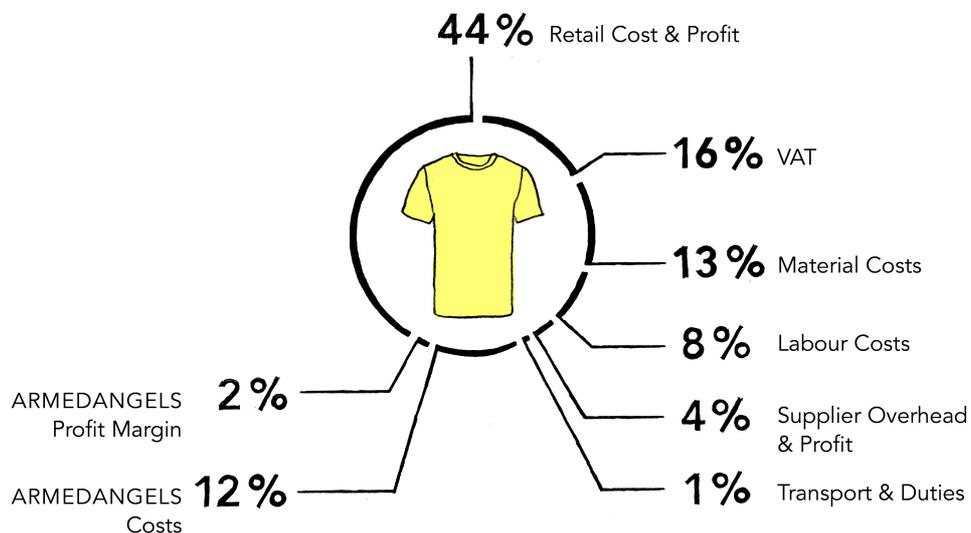
The numbers are exemplary for our partner factory in Portugal.

Using labour minute costing gives us the chance to participate fairly in wages. These are the labour costs for JAAMES made in our partner factory in Portugal:

	Minutes	Factor €	Costs
CMT (Cut / Make / Trim)	10,26	x 0,15	= € 1,539
<b>Labour Costs</b>			<b>€ 1,539</b>

Above chart shows the labour costs for our t-shirt JAAMES made in our partner factory in Portugal.

The labour costs form part of the complete breakdown of the product price of JAAMES (solid):



Above breakdown shows the true cost of JAAMES in % of the retail price.

One of the big reasons to implement such a radical open costing for 100% of our products, was to make sure that we have transparency in the payment of actual wages and avoid negotiating against wages. We needed to know more about the link

between buying prices and wage levels in the factories. Today, we know the labour costs of each of our products, making open costing an important tool and lever to encourage suppliers to even increase wages.

The topic of living wages has been very present in the past years in our industry. We, too, want to find solutions and close the gap between legal minimum wages and what is considered to be a fair wage to cover all necessary costs of a decent living. However, we realised in the last years, that the lack of functioning ideas and the general excessive demand with the topic didn't really get the industry closer to the finish line. We are all spending so much time discussing and calculating and re-calculating and re-discussing the amount of a living wage and being daunted by the, what seems to be a sheer insurmountable wall between the reality and the target, that it puts us in a paralysis.

As a brand, we do not pay wages directly to the workers. We don't own any of the factories. All our partners are individually owned entities working with us and we pay fair prices for the garments we buy from them. But, due to our open costing method, we know the exact link between our prices and the wages. It's a tool that we can use to make sure that our prices are fair. As such, we have committed to what we call a '**minimum fair paid level**'. We want to ensure that the workers in our supply chain earn on average at least 20% more than the legal minimum wage in the respective country. We know that 20% higher than legal minimum wages is not a living wage in many countries, but we are taking the first step. We want to push the wage ladder from the bottom up. For us the time for talking is over, let's get to work! Below in chapter 2, we have shown where our partner factories stand with regards to our fair paid level.

## 1.2 Organisation of the sourcing department

At ARMEDANGELS the sourcing department is vital to the way we do business. Our buying colleagues support our sustainable operations through assuring responsible purchasing practices, continuity of supply and fair production planning as well as the implementation of our open costing. As they are in contact with our suppliers on a daily basis, they are key to ensuring a positive partnership with them.

The Sourcing & Quality Manager is another key position reporting directly to our COO.

## 1.3 Production cycle

ARMEDANGELS has **four collections** every year: Two main collections (Spring and Autumn) and two side collections (Summer and Winter). Both for Men and Women.

Our usual production cycle begins with our design and product development phase including the internal design phase as well as the production of the first prototypes. We then ask our suppliers to produce samples for our sales team. During the sales period our sales team presents the new collection to our retailers and takes their orders. Once all orders are placed the production process can begin.

**Good internal production planning** and a smooth production cycle are essential to support the factories in establishing fair working conditions. Short lead times, seasonal production and late order changes are among the main reasons for extensive overtime, increased short-term seasonal work contracts and negligence of personal safety.

We, therefore, make it a priority to know our partner's capacity so as to plan the order volumes and the production times correctly. We stick to ten fixed delivery dates so that our factories do not have an unbalanced production workload with peak times and low periods. Seasonal work is a big challenge for factories, as they have to pay their workers all year round. By splitting the delivery dates, we are able to utilise the factories nearly throughout the year giving financial security to the factory management and minimising the necessity of overtime.

Our **production lead-times** vary between 12 to 18 weeks and are dependent on internal planning, the capacity of our suppliers and material lead-times. This is generally sufficient time for factory management to make a robust production planning without having to rely on overtime.

As we know that some of our materials have long lead-times or might be delayed due to various reasons, we make it a priority to block long-lead time fabrics before placing the order, so that no delays are caused by late material deliveries.

## 1.4 Supplier relations

Simply put, sustainable products start with sustainable supplier relations. And sustainable supplier relationships are always built on **mutual respect and trust** – and as it is with relationships in general, they grow over time.

Hence, our aim is to find the best partners, who are willing to push the boundaries with us, to make changes and improve over time. Partners who don't stand still but take on the challenges of our time. We aim to find partners who are in it for the long run, who want to be a part of the ARMEDANGELS story and who want to grow with us.

We know that one of our main success factors is partnership on eye level. During 2018, 54% of our supplier volume was bought from factories where we have reasonable **leverage** (at least 35% of the factory production capacity). Our objective is to further deepen our collaboration with our first-tier suppliers over the years in order to work towards a more fundamental transformation of the textile industry. Our partners do not change regularly; in 2018, 42% of our purchase volume came from factories with whom we have worked for **more than five years**.

## 1.5 Integration of monitoring activities & sourcing decisions

Complying with all laws and regulations in the production countries is a basis for us. But really, we are always aiming for the highest standards. In order to reach those, we keep a very close and direct contact with all our first-tier suppliers. We visit them regularly and have an **open and honest communication** with them. We furthermore are in frequent contact with downstream factories in our supply chains and visit them as well whenever possible. By nominating different partners in various tiers of the supply chain and by using the GOTS and Fairtrade systematic, we can trace our products back to the raw material.

**Internal and external audits** by FWF, GOTS and Fairtrade help us to detect shortcomings in our factories and to prevent violations against our business ethics. We support our partners by offering training sessions and consulting not only for merchandisers, but also for supervisors, employees and of course owners. By including relevant stakeholder initiatives, we further strengthen our monitoring system.

In 2018, we revised our **bi-yearly supplier evaluation** to provide our partners with clear, relevant, transparent, and timely information and analysis about their performance. The supplier evaluation is conducted by an internal team (consisting of Buying, Sourcing & Quality, Product Management and CR). This evaluation takes into account the price-performance ratio, compliance with delivery dates, quality, status quo of social and ecological standards, the social and ecological development of a supplier, the degree of innovation as well as their cooperation and level of transparency. In 2019 we will bring this to a next level, pioneering also a brand evaluation, in which our suppliers evaluate our purchasing practices that affect the supplier's ability to adhere to their operations, profitability and Corporate Responsibility activities.

## 2. Coherent system for Monitoring & Remediation

Knowledge is power. Hence, knowing our supply chain is the basis for our work. We therefore ask all our partners to fill out a **comprehensive Supplier Questionnaire**, which also includes information on all subcontractors used. This information is updated twice a year.

Subcontracting is often perceived as a bad thing. We don't share this generalisation. The risk of breaches in labour standards often increases the further down one looks into a supply chain – that is, without a doubt, true. However, we know that not all of our suppliers have the possibility to do all steps of production in-house. They, therefore, have to rely on outside factories to support them. For us, subcontracting does not only include sewing, but also printing, embroidery, washing and dyeing of garment. Every process, where a supplier is contracting another factory to do a specific step of the production counts as subcontracting for us. Therefore, we have defined a **subcontracting policy** to which all factories in our supply chain, whether they are our direct business partners or their subcontractors, adhere. Everyone is treated equally, receives the same support from our side and has the same responsibilities. When visiting the suppliers, we are trying to also visit the subcontractors as much as possible.

By mapping our supply chain, we can guide suppliers towards skilled subcontractors and **establish networks**. Hence, good subcontractors are rewarded with higher order volumes, while we decrease the number of subcontractors used overall and thereby decrease the risk of breaches in labour standards in our supply chains. It is a matter of choosing the right partner, knowing all steps of production and working together on implementing real improvements for workers that make the difference.

All factories are informed of our membership with Fair Wear Foundation already before the beginning of the work relationship, as part of the **responsible sourcing process**. Communication and endorsement of the Code of Labour Practices, publishing the Code, the Worker Information Sheet and filling out our extensive Supplier Questionnaire is part of the onboarding process. An internal ARMEDANGELS employee further visits the factory; this may be the CR Manager, the Sourcing & Quality Manager or someone from the design department or Buying.

During **internal audits** conducted by our CR Manager and **external audits** done by a third party an Audit Report as well as a so-called Corrective Action Plan (short CAP) is written up, which summarises the main findings, assigns responsibilities and sets

timeframes and recommendations for remediation. Auditor and factory management jointly agree on the CAP. It is then the responsibility of our CR Manager to do the follow-up: First via email and telephone followed by a personal visit at the supplier. We assist and support the suppliers to be able to successfully implement the corrective actions. Working with other clients of the supplier to achieve this goal has proven a very effective way. Again, collaboration is key!

During the 11 years of ARMEDANGELS, our network of partners has grown from one partner in Portugal to now 15 in Portugal, Turkey, Tunisia, China, Lithuania and India in total. During the financial year 2018, 43% of our order volume was placed in factories in Portugal and Lithuania and 57% in factories in high-risk countries. At 2 out of 7 partners in high-risk countries, we conducted new FWF audits in 2018, the other 5 partners have been audited in the previous years. 8 out of our 15 partners have done a social audit based on other social accountability initiatives. 'Workplace Education Programme' (short WEP) continued to be an important tool for us in 2018. As such we have trained our partner factory in China using this FWF method.

Below is a description of our efforts in our active producing countries.

## 2.1 Suppliers & their subcontractors in Portugal

As Portugal is a low-risk country our main monitoring activity is to inform all suppliers about our membership with Fair Wear Foundation and about the respective labour standards.

All Portuguese suppliers have conducted social audits by other organisations like Fairtrade, BSCI or companies' code of conduct audits. All suppliers have shared the respective audit reports with us, and we take this as the basis to work on social issues, mainly with regard to workplace safety.

### BHP Comercio de Produtos Texteis Lda

1 Subcontractor (CMT)

Address	Rua de Montezelo 28 / Folgosa / Maia / Portugal
Product Group	Jersey/Circular knit (Organic Cotton)
Production Processes	Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS (CU 847104), Fairtrade (ID 3484)
Relationship since	2008
No. of Employees	10
Gender Split	6 female / 4 male
Maximum Overtime	0%
Fair Paid Level	102% (average salary compared to legal minimum wage)
Worker benefits	Free annual medical check

Part of our story began in Portugal in 2007 with one of our very first partners *BHP-Comercio de Produtos Texteis Lda*. They helped us with the production of our first T-Shirts. We went a long way with them and had the usual ups and downs in a long-term partnership, but always stayed committed even as we had outgrown their capacity and skills by far during the past years. As they did not own any production units, they had to work with independent third-party factories. Unfortunately, we were faced with re-occurring quality problems. Both sides had to realize that we were not able to take our partnership to the next level and hence have to split ways. We offered the subcontractors to be integrated into existing ARMEDANGELS supply chains to mitigate negative effects on these factories, if they wanted. It is never easy to end a long-term partnership and there is no perfect way. We tried to be as open, transparent and honest as possible in this process.

## Etfor Empresa Textil Lda

1 Subcontractor (CMT)

Address	Av. Margarida Queirós, 301, Forjaes / Esposende / Portugal
Product Group	Jersey/Circular knit (Organic Cotton, TENCEL™ Lyocell, LENZING™ ECOVERO™)
Production Processes	Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS (CU 852009), Fairtrade (ID 28385), ÖkoTex100, ISO 9001, ISO 14001
Relationship since	2013
No. of Employees	107
Gender Split	82 female / 25 male
Maximum Overtime	0%
Fair Paid Level	109% (average salary compared to legal minimum wage)
Worker benefits	Free annual medical check

## Valérius Têxteis S.A.

3 Subcontractors (CMT)

Address	Rua Industrial do Aldão / Apartado 219 / Vila Frescainha S. Martinho / Barcelos / Portugal
Product Group	Jersey/Circular knit (Organic Cotton, TENCEL™ Lyocell, LENZING™ ECOVERO™)
Production Processes	Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS (CU 848906), Fairtrade (ID 36419), ÖkoTex100, GRS, BSCI
Relationship since	2014
No. of Employees	158
Gender Split	131 female / 27 male
Maximum Overtime	0%
Fair Paid Level	102% (average salary compared to legal minimum wage)
Worker benefits	Free transportation, free medical support, 50% of kindergarten fees are paid

## Becri - Malhas e Confecções, S.A.

### 2 Subcontractors (CMT)

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Address	Rua do Parque Industrial N° 60, Alvelos / Barcelos / Portugal
Product Group	Jersey/Circular knit (Organic Cotton, TENCEL™ Lyocell, LENZING™ ECOVERO™)
Production Processes	Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS (CU 1000258), Fairtrade (ID 36112), ÖkoTex100, RCS, OCS, PMI Lider, BSCI, SMETA
Relationship since	2016
No. of Employees	185
Gender Split	146 female / 39 male
Maximum Overtime	0%
Fair Paid Level	114% (average salary compared to legal minimum wage)
Worker benefits	Free transportation, flu vaccines, discount for routine doctor's appointments, 50% of kindergarten fees are paid

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## Supercorte Empresa de Confecções S.A.

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Address	Av. Martins da Costa 211 / Meixomill / Portugal
Product Group	Woven light, Circular Knit (Organic Cotton)
Production Processes	Cutting, Sewing, Trimming, Embroidery, Ironing, QC/Packing
Certifications & Standards	GOTS (CU 855964), SMETA
Relationship since	2017
No. of Employees	163
Gender Split	149 female / 12 male
Maximum Overtime	0%
Fair Paid Level	109% (average salary compared to legal minimum wage)
Worker benefits	Free transportation

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## Consifex Malhas e Confecções Lda

2 Subcontractors (CMT)

Address	Parque Industrial Tamel, Lt. 1/2/3 Tamel S. Veríssimo/ Barcelos / Portugal
Product Group	Jersey/Circular Knit (Organic Cotton)
Production Processes	Cutting, Sewing, Trimming, Embroidery, Ironing, QC/Packing
Certifications & Standards	GOTS (CU 1000763), ÖkoTex100, PME Lider
Relationship since	2017

*Consifex Malhas e Confecções Lda* is a well-organized company specialized in manufacturing Jersey with all relevant sustainability standards. We already terminated our business relationship with them in 2017 open and mutual, as we wanted to focus on growth with our existing Portuguese Jersey producers. Tiny orders remained until beginnings of 2018, which is the reason for including them again in this report.

## J. Caetano & Filhas Lda

Address	Rua Da Castiça, 18, Aptd. 23 / S. Miguel De Paredes / Porto /Portugal
Product Group	Woven light, Circular Knit (Organic Cotton, TENCEL™ Lyocell, LENZING™ ECOVERO™)
Production Processes	Cutting, Sewing, Trimming, Embroidery, Ironing, QC/Packing
Certifications & Standards	GOTS (in the certification process), SMETA, BSCI
Relationship Since	2018
No. of Employees	108
Gender Split	100 female / 8 male
Maximum Overtime	0%
Fair Paid Level	110% (average salary compared to legal minimum wage)
Worker benefits	Free transportation

In 2018 we started a new business relationship with *J. Caetano & Filhas* from Portugal. This new partner has a long experience in manufacturing high quality shirts and blouses. The company is meanwhile run by two sisters that aim to create a positive change in the Portuguese textile industry. Production with them is starting in 2019.

## FSM - Industria De Confecções, S.A.

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Address	R. do Comércio 35 / Lousada / Portugal
Product Group	Woven light, Circular Knit (Organic Cotton, TENCEL™ Lyocell)
Production Processes	Cutting, Sewing, Trimming, Embroidery, Ironing, QC/Packing
Relationship Since	2018

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We onboarded FSM - Industria De Confecções, S.A. in 2018 because we needed a new partner to produce shirts and blazers in fine quality. It seemed to be a good fit, but we unfortunately could not meet the minimum Quantity Orders requirements for the product line and therefore the supplier terminated our relationship after just one season. As in life it always needs two to Tango!

## 2.2 Suppliers & their subcontractors in Turkey

In 2018 we produced shirts, blouses, knitted outerwear, dresses and skirts as well as denims at four suppliers from Istanbul and Izmir accounting for 50% of our total order volume. The ARMEDANGELS team visited all suppliers as well as their diverse downstream suppliers at least once in the reviewed year.

During all our visits in 2018, we made it a priority again to discuss the topic of Syrian refugees in textile factories in detail. At the moment, two of our suppliers in Istanbul are employing four Syrian refugees in total.

### Bera Tekstil Triko Iml. Ith. Ihr. San. Tic. Ltd. Sti

1 Subcontractor (Knitting)

Address	Gencosman Mah. Davutpasa Cad. Bostan Sok., Merter Is Merkezi No:3/3, Gungoren / Istanbul / Turkey
Product Group	Flatknit (Organic Cotton & Wool)
Production Processes	Knitting (flat), Linking, Cutting, Sewing, Trimming, Washing (Garment), Ironing, QC/Packing
Certifications & Standards	GOTS (EGL/151329/748123/9), Fair Wear Foundation monitored
Relationship since	2015
No. of Employees	65
Gender Split	38 female / 27 male
Maximum Overtime	10%
Fair Paid Level	131% (average salary compared to legal minimum wage)
Worker benefits	Free meals, free workplace doctor, free transportation, ramadan food package

## Özcelik Orme San. Ve Tic. As

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Address	Cumhuriyet Mah. Nilüfer Sok. No. 22, Küçükçekmece / Istanbul / Turkey
Product Group	Flatknit (Organic Cotton & Wool)
Production Processes	Knitting (flat), Linking, Cutting, Sewing, Trimming, Washing (Garment), Ironing, QC/Packing
Certifications & Standards	GOTS (EGL/151329/748123/9), Fair Wear Foundation monitored
Relationship since	2014
No. of Employees	66
Gender Split	38 female / 28 male
Maximum Overtime	13%
Fair Paid Level	175% (average salary compared to legal minimum wage)
Worker benefits	Free meals, free workplace doctor, free transportation, ramadan food, package, occasional child & financial support

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## Bravo Tekstil Uretim Ihr.San.Tie.Ltd.Sti

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Address	Bahçelievler Mah. No: 6, Torbalı / Izmir / Turkey
Product Group	Woven light (Organic Cotton, LENZING™ ECOVERO™, TENCEL™ Lyocell, TENCEL™ Modal)
Production Processes	Cutting, Sewing, Trimming, Washing (Garment), Ironing, QC/Packing
Certifications & Standards	GOTS (CU 819014), Fair Wear Foundation monitored
Relationship since	2012
No. of Employees	135
Gender Split	81 female / 55 male
Maximum Overtime	15%
Fair Paid Level	170% (average salary compared to legal minimum wage)
Worker benefits	Free meals and transportation to/from work is provided to employees

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## Aclan Tekstil Konfeksiyon İc Dis Tic Ltd. Sti (Sarp)

Address	Kemalpaşa Mah. 7415 Sok. No:1 Pınarbaşı / İzmir / Turkey
Product Group	Denim, Trousers (Organic Cotton, TENCEL™ Lyocell)
Production Processes	Washing/Dyeing (Garment), Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS (CU 810859), Fair Wear Foundation monitored
Relationship since	2016
No. of Employees	90
Gender Split	55 female / 45 male
Maximum Overtime	15%
Fair Paid Level	118% (average salary compared to legal minimum wage)
Worker benefits	Free meals, free doctor, bayram food package, new year food package

At *Aclan Tekstil Konfeksiyon İc Dis Tic Ltd. Sti (Sarp)* a Fair Wear Foundation audit was conducted in 2018. We are now actively involved in remediating the findings and have therefore agreed on timeframes and responsibilities and are following-up on the implementation closely.

## 2.3 Suppliers & their subcontractors in China

In China, ARMEDANGELS jackets are made at one nominated factory. Our Quality Manager and our design team visited the factory in 2018 and gave feedback on the social compliance to our CR Manager.

### Jiaying Jiecco Fashion Co., Ltd.

#### 1 Subcontractor (Washing)

Address	F2, No. 1493 West Waihuan Rd. / Weitang Str. / Jiashan / Jiaying City / Zhejiang Province / China
Product Group	Jackets (Organic Cotton, TENCEL™ Lyocell, rPET)
Production Processes	Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS (EGL/140121/354550/1, Fair Wear Foundation monitored)
Relationship since	2015
No. of Employees	73
Gender Split	68 female / 5 male
Maximum Overtime	15%
Fair Paid Level	184% (average salary compared to legal minimum wage)
Worker benefits	Free meals and transport, the factory has 2 shuttle buses and 1 company vehicle to offer commuter services to the workers

Our Chinese supplier *Jiecco* is an environmentally conscious factory based in Zhejiang Province close to Shanghai. As jackets is still one of our smaller product groups, the percentage of order volume was only a little bit above 2% in 2018. Nevertheless, a FWF audit was conducted in March 2018 with very good results. Additionally, a Workplace Education Programme (WEP) training was conducted in August 2018

## 2.4 Suppliers & their subcontractors in Tunisia

In 2018 we onboarded a new partner for our #DetoxDenims in Tunisia. Following our extensive and responsible on-boarding process, all relevant departments visited the factory several times.

### Denim Authority

Address	Boulevard de l'Environnement / Ras Jebel / Tunisia
Product Group	Denim (Organic Cotton)
Production Processes	Finishing: Washing/Dyeing, Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS (EGL/180130/722276/1), Fair Wear Foundation monitored, ÖkoTex100, ISO 9001, BSCI
Relationship since	2018
No. of Employees	1300
Gender Split	699 female / 458 male
Maximum Overtime	10%
Fair Paid Level	151% (average salary compared to legal minimum wage)
Worker benefits	Free meals and transport, football field for workers to play and to organize tournaments

*Denim Authority* is located one hour from Tunisia's capital Tunis and has been recognized for its efforts toward bringing employment to 1300 women and men in the rural area of Ras Jebel. After a long sourcing process to find an experienced denim manufacturer willing to develop our #DetoxDenims, we chose to partner with them. They are highly committed and are mad for denims. We love their passion and share their madness.

## 2.5 Suppliers & their subcontractor in Lithuania

In 2018 we started production in Lithuania. The textiles and clothing sector in Lithuania has experienced an increase in production and exports in recent years, but also increasing competitive pressure on prices. Responding to these challenges, Lithuanian companies have focused efforts on efficiency by engaging in the development and sale of ecological products, thus transforming themselves from manufacturing companies to clothing companies covering the whole value chain.

### Utenos Trikotazas

Address	J. Basanaviciaus 122 / Utena / Lithuania
Product Group	Jersey/Circular knit (Organic Cotton)
Production Processes	Knitting, Dyeing, Washing, Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS (Ceres-0130), ÖkoTex100, SA8000, Detox-Partner
Relationship since	2018
No. of Employees	797
Gender Split	673 female / 124 male
Maximum Overtime	15%
Fair Paid Level	194% (average salary compared to legal minimum wage)
Worker benefits	Free nursing, free drinks, compensation of meal costs

Our new Lithuanian partner *Utenos Trikotazas* is a DETOX committed customized jersey specialist, working in two main business areas: fabrics and ready-to-wear production. The factory is very large and one of the most modern fully integrated knitwear manufacturers in Eastern Europe.

## 2.6 Suppliers & their subcontractors in India

India is known for its rich cultural heritage of the textile industry and is intrinsically linked to a range of traditions and cultures that reflect the diversity that prevails in this country. But India is also known for unfair and unsafe working conditions thus being characterized as a high-risk country by FWF. That is why we carefully choose our partners. We wish to ensure that ethical business practices exist when we choose a manufacturer we work with; we always make sure that they share our mindset, respect workers and provide them with good working conditions.

### Catex Overseas

Address	518, 5th Floor, Palm Spring Centre Premises Co-Op Society Ltd. / Above Croma, Next to D'mart / Link Road, Malad (W) / Mumbai / India
Product Group	Cotton bags for Merchandise (Organic Cotton)
Production Processes	Cutting, Sewing, Trimming, Ironing, QC/Packing
Certifications & Standards	GOTS ( 134146/766600/1), Fairtrade (ID 5351), ÖkoTex100, BSCI, SEDEX
Relationship Since	2018
No. of Employees	50
Gender Split	31 female / 19 male
Maximum Overtime	10%
Fair Paid Level	118% (average salary compared to legal minimum wage)
Worker benefits	Free nursing, meals & transport

In 2018 we produced several cloth bags as merchandise at *Catex Overseas* in India. The percentage of order volume was 0,01% in 2018. We obviously have the same standard requirements for all our partner factories and the Indian partner is GOTS-certified as well as Fairtrade certified and has specialized its product range in environmentally-friendly products complying with diverse ecological and social standards.

### **2.6.1 Spinning in India**

In the beginning of 2018, we made a new sourcing decision and decided to spin all our Fairtrade certified organic cotton (which make up 65% of all our organic cotton used) in the harvesting country. Before, we worked with three different spinneries in Turkey and Portugal. Aligning with our Responsible Sourcing Strategy we decided to invest not only in direct farming partnerships in India to strengthen the local economy to more stable incomes for smallholder producer families, but also to build a competitive advantage for production steps which are mainly outsourced due to ethical risks. We partnered up with *Omax Cotspin Pvt. Ltd.*, a spinning unit which is located next to our Fairtrade certified cotton cooperative in Gujarat, India. With that decision we furthermore simplified and reduced shipping of high volume fibres through different countries as we now ship just the finished yarn to a single location in Porto close to our Jersey suppliers.

## Omax Cotspin Pvt. Ltd.

Address	Survey No.842,843,845/1, Nr. Petrol Pump, Rajsitapur Village, Ta. Dhrangadhra, Dist. Surendranagar, Gujarat, India
Production Processes	Spinning
Certifications & Standards	GOTS (CU 828152), Fairtrade (ID 31585), ÖkoTex100, SA8000, Fair Wear Foundation monitored
Relationship Since	2018
No. of Employees	354
Gender Split	180 female / 174 male
Maximum Overtime	15%
Fair Paid Level	125% (average salary compared to legal minimum wage)
Worker benefits	Free nursing, meals & transport

Having in mind, that India is a high-risk country, we made a special request to FWF to conduct a social audit at *Omax Cotspin* (normally, FWF only conducts audits in the supply chain after fabric production) following our own internal audits. The audit was conducted in February 2018 with sobering results. Although, our leverage is only 1% at this factory, we decided to take on the challenge, tackle the numerous problems to stand to our mission to make a difference. After long discussions with the top management of *Omax Cotspin*, we started the extensive remediation and monitoring process in May 2018. Since then, the factory has made progressive development to become a best practice case for social and environmental compliance. We are proud to be able to make a real difference in the life of more than 350 workers there. And to make sure that we are not missing anything, we are conducting another FWF audit again in April 2019.

## 2.7 External production

ARMEDANGELS has a strong ambition to contribute to sustainable growth and to make a difference to consumers, staff and the society at large. For us, it's of vital importance that we have close relationships and interact with all our suppliers personally. We are not engaged in external production.

## 3. Complaints procedure

Robust complaint procedures are an integral part of any good management system – no matter whether we talk factory level or head office in Cologne. A well-established complaint system consists of different channels to address concerns: Anonymously via a complaint box, personally at supervisor/management level through an open-door policy, and ideally also via a third-party such as FWF.

We see an active internal complaint management as a vital part of good social compliance in a factory as it shows that the workers do not feel threatened to make their voices heard and it gives factory managers a clear feedback on what is going on at worker level and hence a chance to react to it. We therefore enforce the implementation of a solid internal complaint system and check personally with factory management which complaints have been received and how they have been handled.

The complaint hotline by FWF is an additional back-up system, in case internal systems fail to work. It allows workers, their representatives, including trade unions and civil society organisations to present complaints about working conditions and violations of the FWF Code of Labour Practices at the factories via a complaint hotline. The workers in our supply chain can make use of this external way to file a complaint and we as a brand are asked to actively engage in the remediation of the complaints.

Complaints (received internally or via FWF) range from general unhappiness of workers about the work, where they work, or with whom they work. It can include dissatisfaction about the work equipment, about noise level or temperature or about the taste of the food in the canteen. But obviously, it can also shed light on severe human rights violations, such as discrimination against women or minorities, sexual abuse, excessive overtime or failure to comply with legal minimum wages. Most grievances can be settled quickly and informally in the course of everyday working life in a factory. Others need a more formal approach and management systems need to

be adjusted and procedures need to be implemented. We feel that it is our responsibility to support our suppliers especially in more serious grievance cases.

At ARMEDANGELS the CR Manager is responsible for managing complaints by following the '**ARMEDANGELS Policy on Complaints Handling**'. In 2018 we did not receive any complaint from workers in our supply chain via the FWF complaint system.

## 4. Training & Capacity Building

### 4.1 Activities to inform staff members

All employees are informed and updated on all CR-related activities in a frequent manner. All new staff is offered a mandatory 2h-training on all related sustainability aspects when starting at ARMEDANGELS. Special training sessions are developed for different departments (e.g. design/product; sales; marketing) with regard to sustainability, as we realised that the different departments have different scopes and must be individually trained and equipped with tailored sustainability aspects to deliver our common mission to the different stakeholders. E.g. the design/product department and sales staff is trained regularly every three months.

During our quarterly meetings in our headquarters employees are additionally updated on upcoming projects about ethical practices and the **ARMEDANGELS Corporate Responsibility Strategy** and respective targets and achievements.

Furthermore, in February 2018 the CR staff launched a **bi-monthly internal newsletter** called "Changemaker-News" with information on global CR-issues, trends and topics.

All staff who travel frequently to the production facilities were trained again in the usage of the FWF questionnaire for Non-CSR staff in 2018. Every staff member is now completing the questionnaire when visiting the factories. The questionnaires are gathered, checked on completeness, evaluated and monitored by the CR staff. In 2019 a training on Occupational Health & Safety for all frequent travelling staff will be conducted by the CR department.

Furthermore, the internal **ARMEDANGELS sustainability glossary**, which serves as a guideline internally, was updated with additional information and updates on materials and sustainability issues in the textile industry in general.

## **4.2 Activities to inform agents**

We only work with one agency in Turkey, who specialises in fair and eco brands and their production in Turkey. Frequent emails and regular meetings in Turkey are used to exchange ideas and current trends and topics on both, social compliance and environmental-friendly production. And since the agency is also working for other FWF member brands, they are very aware of the processes and practices of FWF. They are actively involved in our remediation processes following a FWF audit.

## **4.3 Activities to inform manufacturers and workers**

All our existing partners are very well aware of our business practices and our commitment towards FWF principles. They are actively involved in keeping with our social and ecological standards and in the case of high-risk countries, such as Turkey, they have all participated in audits and trainings done by FWF and the necessary follow-up work.

New partners are informed as soon as the first contact is established via our Sourcing & Quality Manager. She introduces all potentially new partners to our brand and our vision and mission. Only such suppliers who are passionate about our values as well will be on-boarded following a strict policy.

All our first-tier suppliers are personally informed and updated about our philosophy and our work ethics by the Sourcing & Quality Manager and the CR Manager during each visit. This always includes an introduction or further trainings on our memberships like the FWF and our certifications like GOTS and Fairtrade as well as new projects.

The bi-yearly supplier evaluation already mentioned, provides our partners with clear, relevant, transparent, and timely information and analysis about their performance.

Additionally, we use the training sessions offered by FWF in our production countries to further support our suppliers and their employees on specific topics concerning labour rights. The feedback we have received so far on the FWF Workplace Education Programmes was very positive and we feel that this is an important step to increase awareness in the factories, which ultimately is the key to making improvements. We will continue these efforts in 2019.

## 5. Transparency and communication

Primarily, we use our website, our social media channels and our newsletter to inform our customers about our latest news and activities. This includes detailed pages on the membership with Fair Wear Foundation, on our certificates Fairtrade and GOTS and on our general philosophy. We make it a priority to show our customers right on the landing page what we stand for: ARMEDANGELS = Fashion, with the highest respect for humans and nature. Our aim is to become even more transparent to our customers and to give them even more insight into our supply chain. Big things are coming in 2019, stay tuned!

## 6. Stakeholder Engagement

Stakeholder engagement is often seen as secondary to the general CR agenda. Most stakeholder engagement approaches are focused on mass surveys and roundtable meetings. The second scope is CR/Sustainability reports on previous year's accomplishments. We believe that this is not enough. Stakeholder engagement is a source of value creation for us and is about embracing opportunities and managing risks. In today's business environment, engaging with stakeholders on their terms - transparently, authentically and more frequently - is our way. There is still some work for us to be done and we will focus on this in the next coming years.

Through our engagement with different organisations such as FWF, but also Fairtrade, GOTS, PETA and Textile Exchange, we have the great opportunity to engage with different stakeholders on the important topic of social and ecological standards in the textile chain. The country studies on Turkey, China and India published by FWF are also an important resource that we make use of.

We are additionally engaged in different working groups on the issue of social standards, where different stakeholders come together to discuss a variety of topics. The discussions and dialogues during the meetings are very valuable for our work and our network has since grown extensively.

## 7. Corporate Social Responsibility

Environmental and social management or corporate (social) responsibility management systems are often added as satellite systems to conventional management systems. This does not do justice to the cross-sectional nature of the environmental and social aspects, and thus neither the ecological, social nor the economic potentials of a good sustainability management can fully be taken advantage of. This is an opportunity missed. Additionally, it holds big economic risks as environmental and social shortcomings are discovered too late and subsequent consequences to the business model and the reputation can result in severe financial burdens.

For us at ARMEDANGELS, corporate responsibility is not a risk management system, it is not the latest buzzword that we feel we have to integrate to boost up our reputation. It is our DNA, our core value and our pure belief. We do what we do, because we believe that our business can change, that it can be done differently – better! For this reason, corporate (social) responsibility is the basis of all conventional management systems and vertically integrated into everything we do, every decision we take, every product we sell. Sustainability is business as usual for us.

### Do you want to know more?

Contact Lavinia or Julia, our Corporate Responsibility Team

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