

# FOND OF

## A member of Fair Wear

### Social Report 2021 / 22



bæsiq



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# 1. Summary: goals & achievements 2021/22

Once again, our last financial year has been widely influenced by global distortions. The aftermaths of the COVID pandemic like rising prices for materials, fragile supply chains and a turbulent shipping industry have posed major challenges to us. Further, we had to deal with a three-month lockdown in our main production country Vietnam and various regional lockdowns in China and Taiwan where most of our fabrics come from.

Suddenly, there was serious threat that we could end up not having any products to sell to our customers. Consequently, we had to react instantly and maintain an even closer exchange with our suppliers to make sure that our products would arrive in time and to mitigate the risks that arose for workers. During this time, we experienced how important long-term partnerships and good supplier relations are. Fortunately, we were not forced to end any business relation-

ship because of COVID. During the lockdown in Vietnam, we managed to switch production to another long-term supplier who took over the most urgent orders for us.

Thanks to these efforts, we could even increase our total turnover compared to the previous financial year. Another reason for our growth was the expansion of our product portfolio. As part of this, we launched a new brand called sfoli. Besides Affenzahn, sfoli is now our second shoe brand. This of course also meant expanding our supply chain and searching for a new supplier, which we successfully found in Vietnam.

However, with the growth of our company, new challenges arise. We have realized that to improve our sustainability efforts further, we need to spread the responsibilities throughout the company. This is planned to be achieved

together with the creation of our Responsible Business Conduct next year.

We also want to start travelling more regularly to visit our suppliers. After more than two years COVID break, we were able to visit some of our suppliers at the end of this financial year and we felt how important those visits are to deepen mutual understanding and to build trust. This will be especially important as we want to start a living wage project. This project has been planned for years and then postponed due to COVID for several times.

Thus, like every other year, we ask ourselves: what can we do to take the next step on this never-ending path, and have we achieved what we wanted to achieve?



## 2. Sourcing

In these uncertain times, our sourcing practices have become even more important to maintain our standards and keep improving with respect to fair working conditions, environmental sustainability and high-quality products. Before every purchase decision, we consider and evaluate certain social and environmental risks. As we are convinced that every purchasing decision, regardless of country or factory, entails certain risks that need to be mitigated. To get the best possible support for this, we have aligned ourselves with Global Organic Textile Standard (GOTS), bluesign® technologies, Leather Working Group, the Green Button and Fair Wear.



## 2.1 Sourcing strategy & pricing

Despite our rapid growth in recent years, we still rely heavily on long-term business relationships with our suppliers. This is not always easy, as our product portfolio is constantly expanding. New products such as shoes or apparel also require new specialized suppliers. Nevertheless, these suppliers are carefully selected to create the prerequisites for a long-term business relationship.

In the process of choosing a new supplier, we not only systematically consider factors like quality, price, and communication but also social and ecological criteria. From this year onwards, we will begin to conduct a comprehensive risk analysis before entering a new business relationship. For this purpose, we identify relevant social and environmental risks both for the respective country in which the business partner operates and for the specific production site where our products are to be manufactured. To determine the risks, we primarily use indices and risk assessments by recognized institutions, as well as independent studies and data of our partners such as country studies from Fair Wear. Further we use existing audit reports of the factories and engage in discussions with the factories about social and environmental conditions.

Once we have collected all the risks, we assess them with different departments and our management and evaluate whether we can address and mitigate the risks through our monitoring activities. If we decide to work with the supplier, this is followed by a CR onboarding in which our standards, requirements and working practices are explained once again in more detail. From then on, we are in regular exchange with the suppliers and carry out a follow-up of the existing audit reports, conduct on-site visits and health and safety checks, or carry out social audits ourselves. In addition, the risk analysis is carried out once a year at country and factory level.

In future, we want to combine the risk analysis with our supplier evaluation, which different departments conduct twice a year. The aim is to assess both performance of the supplier, which includes its CR performance, and current risks to

incorporate this more into our sourcing decisions. In this way, we want to further develop long-term, responsible and socially and ecologically sustainable supplier relationships.

Currently, we work together with suppliers in four European (Portugal, Romania, Bosnia and Herzegovina and Lithuania) and four Asian (Vietnam, China, Turkey and Myanmar) countries. The split can be seen in figure 1 showing that most of our production still takes place in Vietnam and China.

# 2.1 Sourcing strategy & pricing

## Sourcing Countries

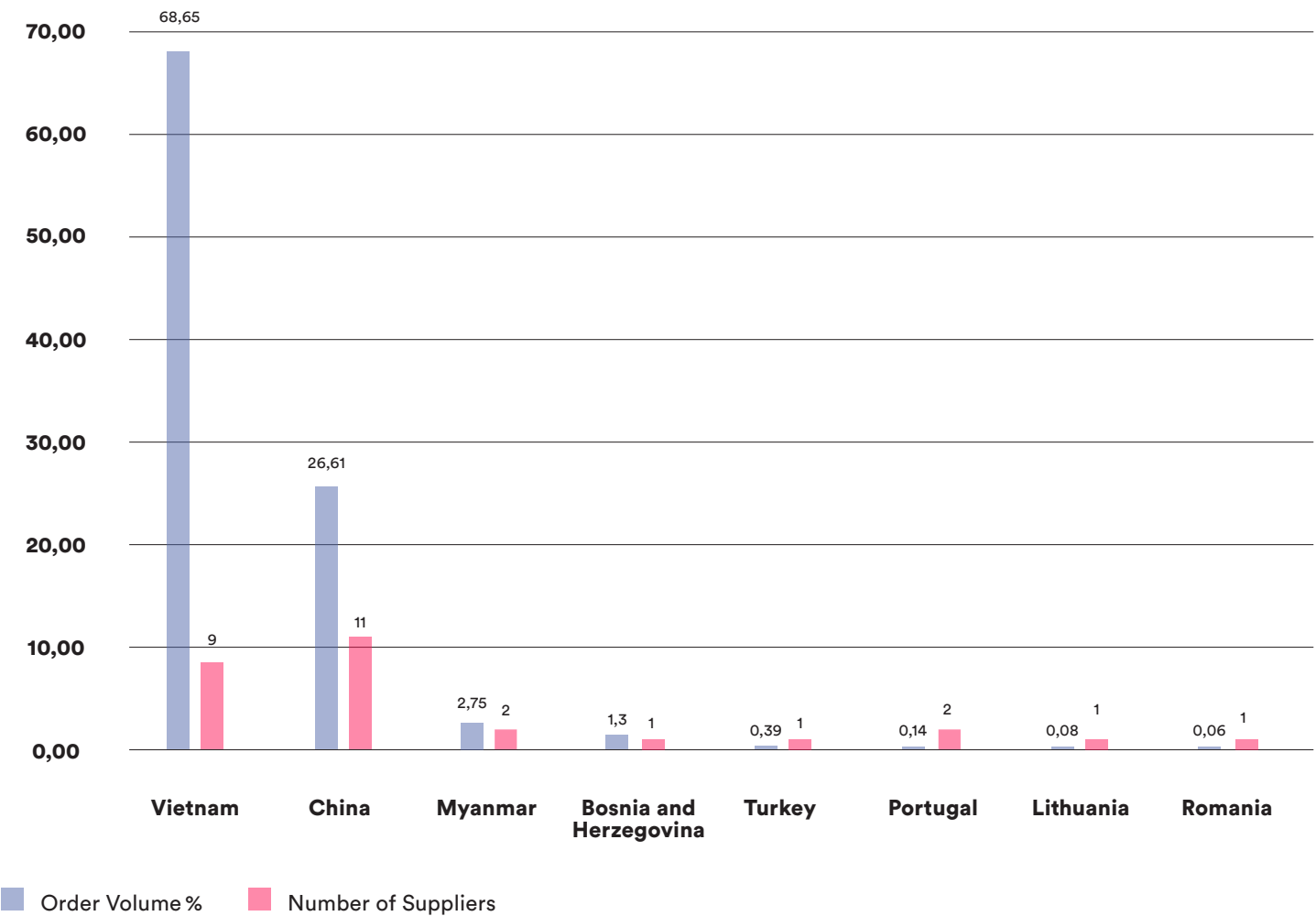


Figure 1: Production countries by percentage of order volume and number of suppliers (Fiscal year 2021/22)

## 2.2 Organization of the sourcing department

Our entire organization is characterized by flat hierarchies. Among other duties, team leaders are responsible for organizing communication and workflows so that the teams can cooperate in the best way possible. Decisions are to be suggested by any team player. This ensures the commitment of every single employee and strengthens the self-responsibility.

While the Corporate Responsibility (CR)-team interacts with many other teams such as marketing, product management, logistics or communication, our main lever lies within the purchasing process. Last year, FOND OF successfully completed a major transformation, which also included the restructuring of the sourcing department. Since then, we have been working with an orbit organization with the specialist departments coming together on different planets. The CR department is located on the 'Innovation Kitchen' planet. The purpose of this planet is the development of new products and further includes departments such as purchasing, quality management, product development, design, material management and product management. This allows us to work even closer on the product and important decision makers will move even closer to the CR team.

The way we work is characterized by regular exchange with many different departments. Of course, our goal is that sustainability plays a major role in the work of the various departments. However, we need to provide new knowledge and support on a regular basis and sometimes also point out problems. For example, we have a weekly exchange for our different brands where, among other things, new product developments or communication measures are discussed. Another very important exchange for us is with our purchasing department. We meet once a week to discuss current sourcing decisions and supplier relationships. Further, we have a regular exchange with our management to discuss acute problems, work on current CR projects and to develop our sustainability strategy for the future.

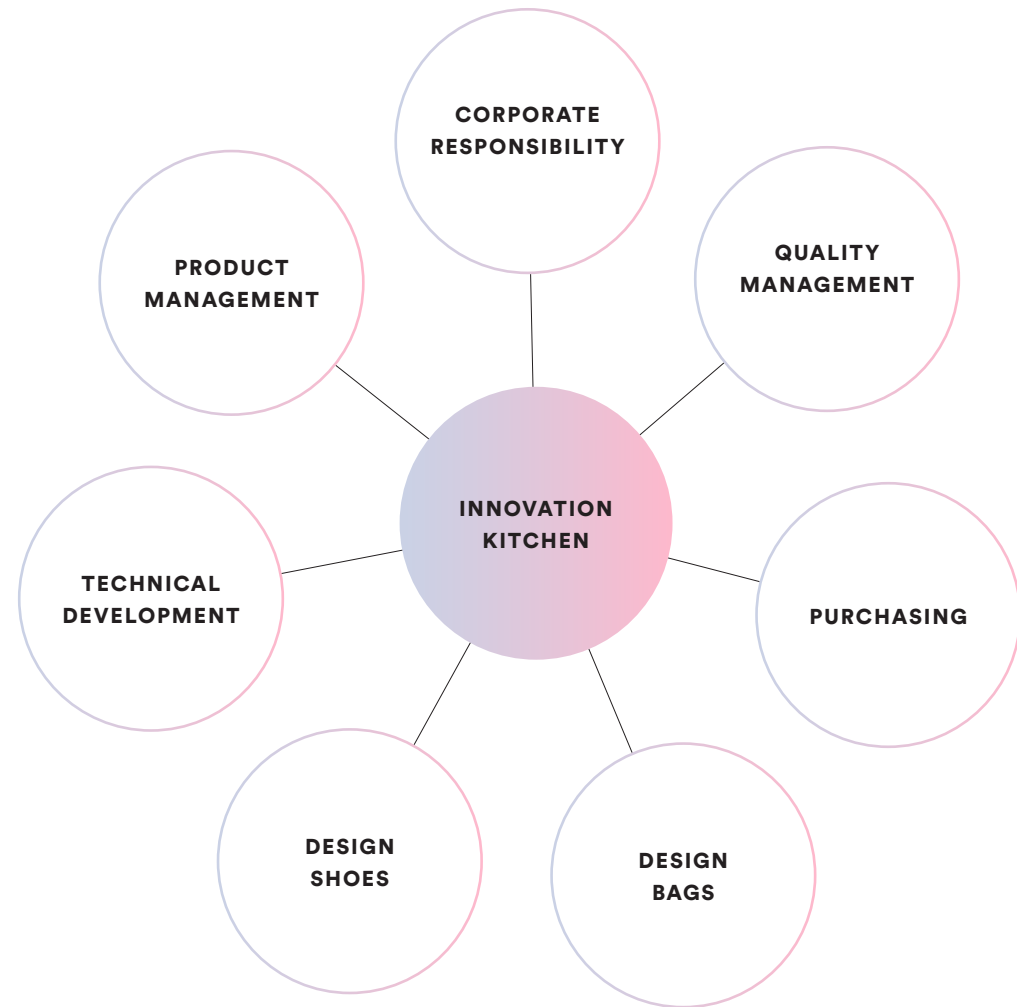


Figure 2: Organizational integration of Corporate Responsibility

## 2.3 Production cycle

Since we combine seven brands under our core company FOB Holding GmbH, there are various production cycles, depending on brand and product. However, we have setup a new product development process that reflects the yearly cycle for our main brands Affenzahn, ergobag and satch. For those brands, we only have one collection per year. In a vague way, the cycle looks as follows:

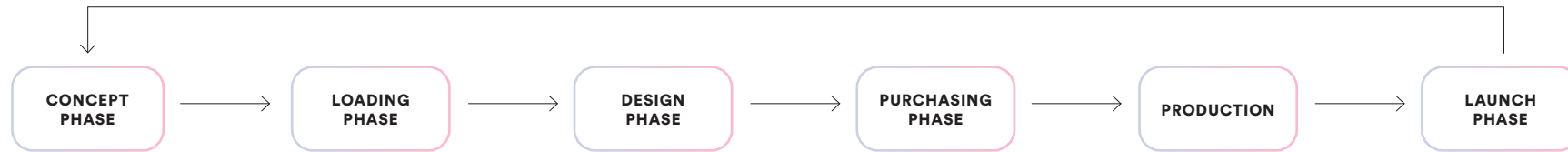


Figure 3: Production cycle

During **concept phase**, our team gathers information on current megatrends. This process is being conducted throughout the year and independent of the other steps.

In a next step, during the **loading phase**, we identify how those trends can affect our product range and we start coming up with new product ideas. Further, we identify which products fit our brand image, could have a market impact and also match the megatrends. Once we have decided which products we want to develop, our designers start with first product drafts during the **design phase**. This phase takes a lot of time, since we need to communicate with our suppliers, make samples and redesign them. In this phase, we also look at the respective sustainability requirements, making sure that materials are in line with them and that the factories are set up for production.

Once we have all our product designs ready, the product team hands all information over to our purchasing department. During **Purchasing phase**, they negotiate with our suppliers and fix timelines for the shipments. Once all of this is set, our suppliers start sourcing the parts and **production** can finally start. Usually, our suppliers have six months to produce our goods. Once they are ready and shipped to our warehouse, we enter the **launch phase**, in which our marketing team starts their campaigns, and we place our products on the market.

All in all, the cycle takes about 16 months from start to finish.



## 2.4 Supplier relations

In the past 3 years, we and our suppliers have been faced with a special challenge. Due to the worldwide COVID pandemic, the cooperation had to be adapted overnight, as we were not longer able to visit them. This showed us once again how important functioning, trustful supplier relationships are. We could rely on our partners and were able to switch to digital communication right from the start. However, we have also realized that this communication cannot replace our regular visits in the long run. Before the pandemic, our CR team visited our suppliers in Asia at least twice a year. Therefore, we were very grateful to be able to travel to Vietnam again by the end of the last business year. On site, we realized even more that digital exchange cannot replace face-to-face exchange, because we were able to work so much more productively and efficiently on our projects and it becomes much easier to put yourself in the situation of the partner.

As in the past, we used these meetings to discuss the latest audit reports, conduct factory tours and our Health and Safety checks, as well as to discuss current problems such as the effects of the lockdown and new projects. We also use these visits to meet potential new suppliers. For example, on the last trip we visited a new potential subcontractor of our main supplier. We got a detailed tour of the factory and met with the factory management to discuss important issues such as the wage structure or the procedures for worker dialogue. As the supplier made a good impression and all the necessary documents were presented, we informed our main supplier that they may use the new supplier as a subcontractor for our coming financial year and beyond. For the future, we have decided with our management that we also want to use these visits for systematic feedback sessions. Mutual feedback has always played an important role to strengthen our supplier relations, but there has been no consistent approach to it. For this reason, we want to conduct feedback discussions together with the purchasing department and the factory management during our next visits, using a newly developed guideline.



## 2.4 Supplier relations

The feedback we provide will mostly be based on our supplier evaluation, which we conduct internally twice a year (more on this in the next chapter).

At the end of the last financial year, we revised our CR onboarding process. Due to the current uncertain times, we want to be even more certain about the associated risks connected to a new business relation and see it as even more important to prepare our suppliers for our sustainability standards in the best possible way. The basis of onboarding is an initial conversation with the potential new supplier, whereupon as much information as possible is gathered, such as existing audit reports. This is followed by a risk analysis at country and factory level. Once all risks have been identified and assessed and a decision has been made to enter a new business relationship, the previous CR onboarding process begins, followed by a regular exchange.

Last financial year, we have not entered any new business relationships with long-term suppliers. However, we had

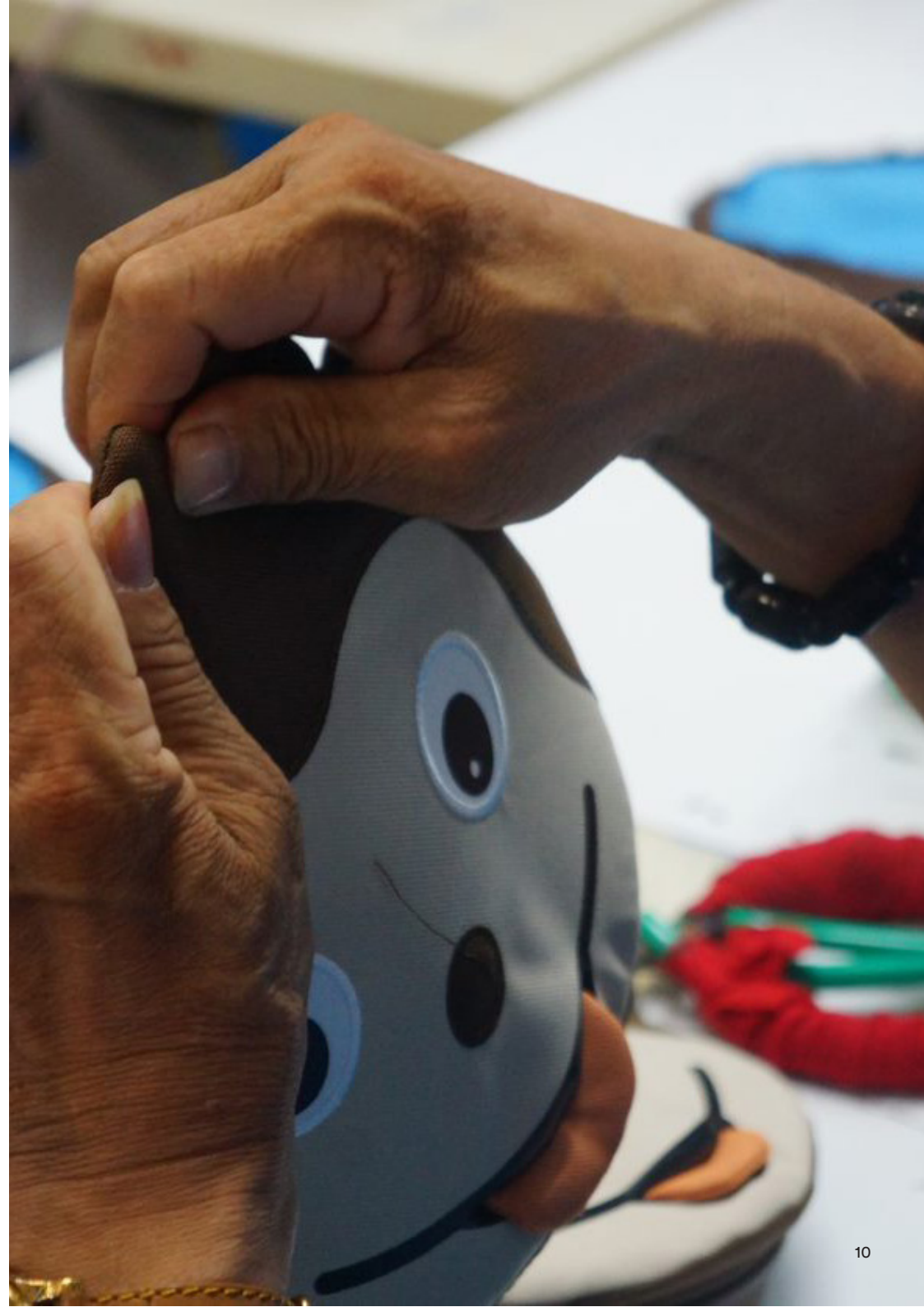
three new suppliers in our portfolio. Two of them were in China and partners of another brand with whom we started a small cooperation. For them, we also obtained existing audit reports and other relevant documents and carried out a follow-up. The other new supplier was a partner of our main factory in China. We already knew the supplier from Myanmar from earlier and had to place a one-off order here at very short notice, to compensate production losses caused by the lockdown in Vietnam. Again, we collected current audit reports and other relevant documents in advance.

Last year, our main production country Vietnam, has been severely affected by the scale of the pandemic. From the end of July to the end of September, there was a nationwide lockdown, which meant that most of the factories could no longer operate. Many brands have cancelled their orders as a result. This, of course, caused great difficulties for the suppliers, as they could no longer earn money which caused severe risks for the workers. Fortunately, we did not have to cancel any orders, we just pushed them later. While most

of our factories were still able to pay normal wages at the end of July and beginning of August, most could no longer afford to pay wages from mid-August onwards. In order to protect the workers in the best possible way, we were in regular contact with the suppliers and, for example, made them aware of assistance from the Vietnamese government and in some cases assisted them in applying for it. We also paid out a COVID bonus for all workers with a total value of 80,000 Euros. Despite government assistance and our bonus, three of our factories still could not ensure that all workers received the legal minimum wage for that period. We have calculated the difference precisely and are currently discussing options with our suppliers on how the gap, which is very small in some cases, can still be closed retrospectively. We also conducted a survey with all our suppliers and asked them which COVID measures they had introduced and whether they needed financial support. Only one supplier expressed that he needed financial support and listed his costs to us. We subsequently covered 50 per cent of these costs.

## 2.5 Integration of monitoring activities & sourcing decisions

Last year we successfully introduced a new tool that simplifies our monitoring activities. For us, the main prerequisite for proper monitoring is transparency. This is a big challenge for our backpacks, as they sometimes include up to 200 different components, which usually come from different suppliers. This creates rather complex supply chains where it is easy to lose track of what is going on. Our new tool makes it easier to trace and map these complex supply chains and present them to us clearly.





## 2.5 Integration of monitoring activities & sourcing decisions

We can also use it to handle our entire certificate management by integrating our suppliers into the platform in the future. This way, we and the supplier are automatically reminded as soon as a certificate expires and needs to be renewed. In addition, supplier assessments can also be conducted through the tool. For example, last year we used the tool to check our leverage in the factory and requested a recent picture of the Fair Wear poster. For this purpose, we have onboarded all our Tier 1 suppliers and subcontractors, as well as all bluesign Tier 2 suppliers to the tool in advance. We are currently testing the possibility of mapping our risk analysis at factory level using this tool.

Further, we have established a process from our revised supplier evaluation to share systematic supplier feedback in the future. The evaluation is now carried out every six months and discussed internally. On this basis, we created a guideline for a yearly discussion with our suppliers. In these discussions, our feedback to the supplier will be reflected. Afterwards, we discuss certain questions for feedback to ourselves, which were already asked and prepared by the supplier before the conversation. Based on the mutual feedback, possible improvements are worked out and an action plan is drawn up. The first discussions of this kind will take place next March/April.

As already described in chapter 2, we are also working on a method to combine our risk analysis and our supplier evaluation to make more risk-based sourcing decisions. Country- and factory risks and sustainability performance are thus proactively drawn into this process, and we promote improvement throughout our supply chain over the long term.

### 3 Coherent system for monitoring & remediation

This year we were fortunately able to travel to our main sourcing country Vietnam for the first time in almost three years. However, due to the ongoing COVID restrictions, we have not yet been able to travel to China again. These visits are the basis of our monitoring activities because they give us the best picture of the factory and its practices and enable us to make the best improvements. In times of ongoing travel restrictions, Fair Wear social audits became even more crucial for us. On this basis, we can work with our suppliers on relevant issues in the form of a corrective action plan (CAP). This allows us to address important remediation points and jointly develop solutions to the findings. We conduct such audits at least every three years at each of our suppliers in a high-risk country to see whether the remediation points discussed have been successfully implemented. If we start a new business relationship, we ask for all existing audit reports at the beginning and follow them up as well. Thereby, audits other than those of Fair Wear are also accepted. However, these audits must meet certain criteria. There must be worker interviews, the auditing company must be different from the factory itself, it must be done by local people and it must include detailed information about the eight Fair Wear labor standards. Nevertheless, in the long term we always aim for a Fair Wear audit, as we have experienced that these are the most detailed and the best basis for initiating profound changes.





### 3 Coherent system for monitoring & remediation

In the 21/22 financial year, together with Fair Wear, we were able to conduct two monitoring audits and one verification audit at suppliers in Vietnam. Overall, we audited 97,35% of our order volume and have thus come even closer to our goal to extend our monitoring threshold to the full 100%.

In addition to the audits, an anonymous complaints hotline is another important pillar of our monitoring system. This mechanism is explained in detail in chapter 4. We also use an own-created checklist to conduct evaluations at subcontractors, in addition to the regular health and safety checks to get deeper understanding and better possibilities of improvement. We conducted this last year with the subcontractor Nhut Ha, as this was used by our supplier to compensate for backlogs after the COVID lockdown.

We also have 4 suppliers in so-called low-risk counties. This means that lower monitoring requirements are requested by Fair Wear in these countries. As part of our onboarding process, we usually visit such suppliers before production starts. Unfortunately, we were not able to do this last year due to the pandemic. If this is not possible, we try to gather as much sustainability information as possible about this supplier (e.g. existing audit reports) in order to get a picture of the situation.

Our complete supplier overview for the 2021/22 fiscal year can be seen in figure 4.

SUPPLIER	COUNTRY	FOND OF INVEST	AUDITED	VISITED
<b>ASG Global</b>	Vietnam	30,58 %	✓	✓
<b>ASG Vina</b>	Vietnam	1,10 %	✓	✓
<b>Starry SBL</b>	China	10,7 %	✓	
Shenyang Bags	China	5,47 %	✓	
Guangxi Starry	China	5,44 %	✓	
Tian Bao Bags	China	2,25 %	✓	
Noatex	Myanmar	1,87 %	✓	
Shengde Bags	China	1,16 %	✓	
<b>Haksan</b>	Vietnam	15,14 %	✓	✓
<b>Viva</b>	Vietnam	6,89 %	✓	✓
Nhut Ha	Vietnam	1,13 %		
<b>INS</b>	Vietnam	6,06 %	✓	✓
<b>Innolux MU1</b>	Vietnam	3,5 %	✓	✓
<b>Innolux MU2</b>	Vietnam	3,5 %	✓	✓
<b>Prevent</b>	Bosnia and Herzegovina	1,3 %	Low Risk Country	
<b>Tah Hsin</b>	Myanmar	0,88 %	✓	
<b>Pungkook Saigon II</b>	Vietnam	0,75 %	✓	
<b>Doppler</b>	China	0,61 %	✓	
<b>P.A.C.</b>	China	0,49 %	✓	
<b>Seyfeli</b>	Turkey	0,39 %	✓	
<b>Xiamen Lishuntian</b>	China	0,17 %	✓	
<b>Wuxi Senchi</b>	China	0,17 %	✓	
<b>Do-Gree</b>	China	0,15 %	✓	
<b>Marzim</b>	Portugal	0,13 %	Low Risk Country	
<b>Utenos Trikotazas</b>	Lithuania	0,08 %	Low Risk Country	
<b>S.C. Cristian Impex</b>	Romania	0,06 %	✓	
<b>Castro &amp; Silva</b>	Portugal	0,01 %	Low Risk Country	

Figure 4: Suppliers overview; sub-suppliers in italics (Fiscal year 2021/2022)

## 3.1 Suppliers in Vietnam

In Vietnam, we source our products from nine different production sites. Currently we entertain direct business relationships to eight of them. The one remaining production site is a sub-supplier. Our communication with them takes places through our supplier VIVA. Due to long-lasting COVID lockdowns in Vietnam we had to relocate some orders to this sub-supplier at short notice. This was a temporary solution. There are no plans for further cooperation with this sub-supplier.

All our direct suppliers in Vietnam have been audited in the past three years. Unfortunately, this is not the case for our short-term sub-supplier. However, Nhut Ha, has gone through a virtual subcontractor assessment, conducted by us before placing our orders. To maintain and further improve our monitoring rate, we regularly commission audits conducted by the Fair Wear or alternately accept audits conducted by other institutions with similarly high standards.

Due to COVID we did not conduct any trainings in the last financial year. As the trainings usually take place in closed rooms with many people, there is an increased risk of infection for both the trainers and the workers. We did not want to expose anyone to that risk at times where the infection rates were already high. Since the COVID situation has somewhat improved, we have currently planned three WEP communication trainings and one WEP basic training in the financial year 2022/2023.

In the audits carried out in Vietnam, the labor standards 'Health and Safety', 'Reasonable Working Hours' and 'Payment of a Living Wage' were particularly challenging. With the help of a continuous follow-up, we can improve most of the findings together step by step. Especially the 'Health and safety' findings, such as blocked fire evacuation routes, insufficient firefighting equipment, insufficient ergonomic concepts, or insufficient safety equipment such as masks or gloves, can be solved quickly. To verify the corrective actions, we ask for pictures or documents of the implementation.

Overtime and living wage are always a big challenge. In Vietnam, our suppliers pay on average 88.5% of the so-called living wage, this is a good basis. Unfortunately, the wages of only 8 of our suppliers could be collected, therefore this calculation is based only on their wage records. Our aim is to have verified wage records of all our suppliers and to increase the share of paid living wage to 100% in the next few years. Therefore, we are in constant dialogue with our suppliers and look for causes and solutions together.

Regarding overtime, we conducted a survey asking our suppliers about peak and low times in production. To reduce pressure on the suppliers, we intend to adapt our order timing, where possible, to the low periods of production. We further discussed with our suppliers that if our order timings prove to be too tight, making excessive overtime necessary, this should be communicated to us in time so that a joint solution can be found to prevent that.

## 3.2 Suppliers in China

In China, we currently source our products from eleven different production sites. Our business relationships with these suppliers are as follows: We maintain direct business relationships to two of them, Starry SBL and Starry Guanxi. Three production sites, Shengde, Shengying and Tianbao, are sub-suppliers. Our communication with them takes place through our main supplier in China, Starry. With three suppliers we have indirect business relationships through intermediary agents (Doppler, P.A.C. and Do-Gree). Lastly, we also had a cooperation with another Brand. The products of this cooperation were produced by two long-term suppliers of the other brand, thus all communication with those suppliers went through them.

In the financial year 2021/2022, we have achieved 100% monitoring of all our suppliers in China. All the production sites were audited in 2021 or 2022 either by Fair Wear or by another institution with similarly high standards.

In the audits carried out in China, the labor standards 'Freedom of Association', 'Reasonable Working Hours', 'Payment of a Living Wage', and 'Health and Safety' were particularly challenging. With the help of a continuous follow-up and remediation measures, we can improve most

of the findings in cooperation with the suppliers. During the follow-up process of the audits, transparency on working hours could be improved, for instance through implementation of fingerprint attendance recording systems. Some 'Health and Safety' findings could also be easily solved, particularly findings regarding missing emergency lighting or missing safety guards on machines.

Especially challenging remain the findings regarding excessive overtime hours, payment of living wage, and freedom of association. Same as with our suppliers in Vietnam we sent an overtime query to our suppliers in China, asking them about their peak production months and the amount of overtime that is usually needed to manage the workload. Based on their information, we will try to adapt our order timing to reduce production pressure at peak production months. However, beside the fact, that working overtime is culturally very accepted in China, many of our suppliers employ migrant workers who have a strong incentive to work overtime hours to send money to their families. This poses a further difficulty to finding an appropriate solution for that already complex issue. Nevertheless, we continuously discuss this issue with our suppliers and aim for improvement.

Similarly demanding remain the findings on the payment of living wage. Unfortunately, we fail to calculate the current share of living wage paid on average at our suppliers due to a high share of falsified wage records. We strongly aim to have verified wage records of all our suppliers in the future and to steadily increase the share of paid living wage until we reach 100%.

Equally demanding remains the labor standard on freedom of association. We have had the experience that many suppliers in China struggle with the requirements of freedom of association. Especially common in audits are findings regarding the election of worker representatives and the role and function of unions. Through trainings we aim to increase knowledge and awareness of workers on these topics. We also stand in constant dialogue with factory management to improve these findings within the context of the audit follow-ups.

### 3.3 Suppliers in Myanmar

In the financial year 2021/2022 we sourced our products from two different production sites in Myanmar, Tah Hsin and Noatex. Our brand pingpong produce jackets and coats at Tah Hsin since 2020.

Due to COVID and the resulting lockdowns in Vietnam, part of the production of our brand satch had to be relocated at short notice. We decided to place one order at Noatex, a subcontractor of one of our main suppliers, Starry. This was a one-off order. The cooperation with this factory has since ended.

Although there have been four complaints, two in each factory in the last financial year, and important findings in the last audits, it was very difficult to follow-up on audits due to the unstable political situation in Myanmar. Nevertheless, and despite our very low leverage (0.2%) in Tah Hsin we are in regular contact with two other Fair Wear brands and the factory management.


To help improve health and overall work performance of workers, we are currently implementing a nutrition program at Tah Hsin together with another Fair Wear brand. Until recently, workers only received rice for lunch. In the future we aim to include vegetables, fruit and snacks to their diet.

We are aware of the critical political situation in the country and pay special attention to the local working conditions. However, we do realize that our influence is limited. Thus, we do consider disengaging completely in the long term from our business relations in Myanmar.

### 3.4 Suppliers in Bosnia-Herzegovina

In Bosnia-Herzegovina we have sourced from one supplier last year. This is where part of our shoe collection was produced. Due to COVID restrictions, CR staff had not been able to visit the supplier. Nevertheless, we have carried out our standard CR onboarding process, communicated the Fair Wear labor standards and introduced the complaint system.

## 3.5 Suppliers in Turkey



Since 2020, knitwear for our brand pinqponq is produced in Turkey. The extremely high inflation rate in the last financial year has been a serious concern. Wages lost purchasing power in a very short time, which has grave implications for workers and their livelihoods. Our supplier Seyfeli increased the wage trying to keep up with the inflation. We are very aware of the critical situation and try to support our supplier as best as we can.

Together with another Fair Wear member brand we had planned to conduct a Fair Wear audit. Unfortunately, our supplier did not consent to the audit due to fear of unionizing. The labor standard of Freedom of Association is known to be especially challenged in Turkey. Therefore, we decided, together with the other member brand, to conduct a survey on Freedom of Association at Seyfeli to better understand the status quo and the concerns of the management regarding this labor standard.

Regarding overtime hours, the supplier has made a plan to keep OT below 5% each month. Currently they are at only 2% overtime a month.

Due to the still high number of refugees, special caution is required in Turkey in the context of forced labor and child labor. Our supplier is not located in one of the high-risk areas. Nevertheless, we are sensitive to these grievances.

## 3.6 Suppliers in Portugal



Our former brand FUNKTION SCHNITT mainly produced its apparel collections in Portugal. Last year, we have worked with two suppliers. Since our brand FUNKTION SCHNITT was liquidated, the business relations with our suppliers have ended by the end of our last financial year. Due to COVID restrictions the CR-team has not been able to visit our suppliers in the last 2 years.

As per our research we found that even though Portugal is ranked as a low-risk country, 'Payment of a Living Wage' remains the most challenging labor standard for garment factories to comply with. All factories had to sign our Code of Conduct, fill in a company profile with all relevant CR information and send us a picture of a poster with the eight Fair Wear labour standards, as well as the number of the anonymous complaint hotline. Further we have visited all of them before entering the business relationship.



## 3.7 Suppliers in Lithuania

In Lithuania, we have also worked with one supplier for our former brand FUNKTION SCHNITT. There were two other Fair Wear brands sourcing at that factory. Since they work with many European brands, they have already gone through a lot of audits and have a SA8000 certificate. Since our brand FUNKTION SCHNITT was liquidated in the financial year 2021/2022, the business relation with this supplier has ended.

## 3.8 Suppliers in Romania

The collections of our brand FUNKTION SCHNITT are produced in three factories in Italy. Unfortunately, due to Corona restrictions, the CR team has not yet been able to visit the suppliers. Before the pandemic, the suppliers were visited by our designers. Naturally, we have carried out the obligatory Fair Wear measures and had the Code of Conduct signed.

## 4 Complaints handling

As part of the Fair Wear membership member brands must ensure that workers at their suppliers have the possibility to issue a complaint concerning any kind of violation of a labor standard. For us as a brand this means that we must make sure that all our suppliers hang up a worker information sheet within their factories. This sheet explains, in local language, the essential rights that workers have and further shows the complaint hotline of Fair Wear. Workers can make anonymous reports via this hotline and relate to a local Fair Wear partner to make a complaint. This complaint will then be checked by Fair Wear and, if admitted, it will be handed over to us. In our annual company update, we ask our suppliers to send us a new photo of the poster in their factory each time. In addition, during our site visits, we regularly check that worker information sheets are posted and visible to all employees. We also encourage our suppliers to include information on Fair Wear and the complaint hotline during the orientation programs for new employees.



## 4 Complaints handling

In 21/22 we received five complaints, of which four were from workers in our factories in Myanmar and one from Vietnam. Three of the complaints have already been completely resolved. One complaint has almost been resolved - however, the final review of the measures is still pending. Also, we are still working on a resolution to a recent complaint, as it represents a wider problem in the factory. The majority of our complaints originate from Myanmar. Due to the unstable political situation within Myanmar, we are particularly fortunate to be able to implement the complaint mechanism there as it is very difficult to obtain independent information. Here, the complaints mechanism gives us the opportunity to communicate directly with affected workers.

Unfortunately, the first and last complaints last year came from workers in the same organization and concerned the same problem. On the one hand, this is of course very frustrating, as we had hoped to have solved the problem at the first attempt. On the other hand, this once again shows the importance and effectiveness of the complaints mechanism. We are now aware that the issue that has come up is a systematic problem and that the measures taken so far have obviously not been sufficient. Since this is also a very serious issue, it has since been given high priority in order to resolve it definitively as soon as possible. As we have very little leverage in this factory, we greatly appreciate that two other Fair Wear brands are also producing in the factory. Firstly, together we

can increase the relevance of the complaint to the factory management and secondly, we can better share the remediation. In both complaints, workers reported excessive production pressure resulting in verbal abuse by the supervisors and forced overtime during lunch breaks. More specifically, workers who could not reach their target were forced to work unpaid during the lunch break and were only given a 10–15-minute break. When workers expressed their grievance about this, they were put under even more pressure and scolded by their supervisors. After consultation with the factory management, we decided to start with a training for the supervisors. All supervisors concerned had to take part in the training. The content was appropriate communication with employees and the correct setting of production targets. There was also a notice from the management to all workers that they are not allowed to work during the lunch break. Thereupon, the complainants were consulted again and we were informed that the trainings had been successful and that the problem had been solved. However, 8.5 months later, we received a similar complaint and it seemed that the situation had deteriorated further. As a result, a further meeting with the management of the factory took place to show the relevance of resolving this complaint. The supervisors concerned were trained again and issued with a formal warning if they do not change their behavior in the future. In addition, a remediation plan was developed together with Fair Wear, which now needs to be followed successively in order to achieve a long-term improvement.

The second complaint came from three workers of our main factory in Vietnam. The workers have been working in the so-called 3onsite model for a certain period of time during the 3.5-month lockdown in Vietnam. They claimed that they did not receive the salary for what they had previously agreed. After the factory management was confronted with this complaint, a dialogue meeting was organized with trade union representatives and all workers who worked 3onsite. In this meeting, it was decided, together with the management, that all 3onsite workers would receive an extra payment in retrospect, so that the salary would be equal to that previously agreed.

The third complaint was from a worker from Myanmar who had just resigned after 2 years. According to the factory policy, resigned workers are paid on the 8th of each month and their wages are kept for three months until they come to collect them. However, the complainant was not able to collect her wage in the first month after her resignation but came two months later. She was then told by the factory that she was no longer entitled to the salary. After consultation with the factory management, it was agreed that the worker would receive her salary three months after she resigned. This was verified by Fair Wear and the complaint was resolved.

Two weeks later, we received another complaint from workers of the same factory in Myanmar. For this factory it is important

## 4 Complaints handling

to mention that we had placed only a single special emergency order from the beginning, as the COVID lockdown in Vietnam would otherwise have led to considerable production losses. We were aware that it would be difficult to independently verify and track labor standards in Myanmar due to the unstable political situation, but it was the only way for us to compensate for the losses in the short term. Unfortunately, such a situation also leads to the fact that we do not have much leverage towards the factory, which greatly hampers good cooperation. This was also noticeable in this complaint. It came from a recently resigned worker who reported of high production pressure, involuntary overtime and unhealthy practices at the factory. More precisely, workers are often asked to work unpaid overtime before and after normal working hours and on Sundays. If someone cannot work overtime, they got scolded by their supervisors. This case was particularly sensitive because these malpractices were directly attributable to the top management, as the general manager himself often patrols the factory and puts pressure on workers. Moreover, there does not seem to be a functioning internal grievance system, as workers do not have the confidence to discuss their problems with the worker representatives. Due to the high sensitivity of this complaint, we immediately involved our management and arranged a meeting with the general manager of the factory and Fair Wear after the complaint was verified by several other workers. Although the factory management did not agree with all findings from the

investigation, they commented that they were willing to work on the remediation with Fair Wear. It was agreed by all parties that the remediation should take place and that the factory management will discuss the remediation action plan with Fair Wear first and work with the brand to resolve the complaint. After a few improvements were made, communication became very poor and it was very difficult for us to get information. After almost 10 months, we decided to stop the complaint as we no longer had any leverage because we stopped producing in this factory.



## 5 Training & capacity building

Making change happen requires everyone to pull together. That is why we see it as our task to communicate our CR activities to the entire company and to all our suppliers to raise awareness of the issue. Our aim is that the motivation for social and environmental improvements comes from within the individual teams and suppliers and not from us. We want to achieve this through regular communication and training.





## 5.1 Activities to inform staff

We have the ambition that every employee is informed about our CR activities and philosophy. Therefore, a CR presentation has been implemented into the onboarding process of every new employee. The intention is to raise the awareness of all employees to the relevance of sustainability within FOND OF to spread the thought of sustainability into all other areas of the organization.

Our next big project for the coming year will be the creation and implementation of a Responsible Business Conduct. This will be a jointly developed set of guidelines in which we define our actions and values towards ourselves and all our stakeholders. The aim of the joint development is to spread and raise awareness of socially and ecologically sustainable practices within the company.



## 5.2 Activities to inform suppliers

Before entering a new business relationship, we send the Fair Wear Code of Labor Practices (CoLP) to all suppliers so that they are aware of the standards we work with. In addition, last year we have decided to have a detailed CR discussion with each new supplier or agent in advance, in which we also explain our standards and working methods.

To further deepen these standards in the factories, we also conduct regular training. Thereby, we largely rely on the Fair Wear's workplace education programs (WEP) and other training when communicating with workers. Last year, we also decided to conduct a WEP basic training with all new suppliers. In this way, we want to make sure that our labor standards are not only communicated to the management but also to the workers.

Normally, we check during regular supplier visits whether factory management understands our requirements and aspirations and whether the worker information sheet is hung up. Further, we provide them with more exact information on the eight labor standards and the Fair Wear approach.



# 6 Transparency & communication

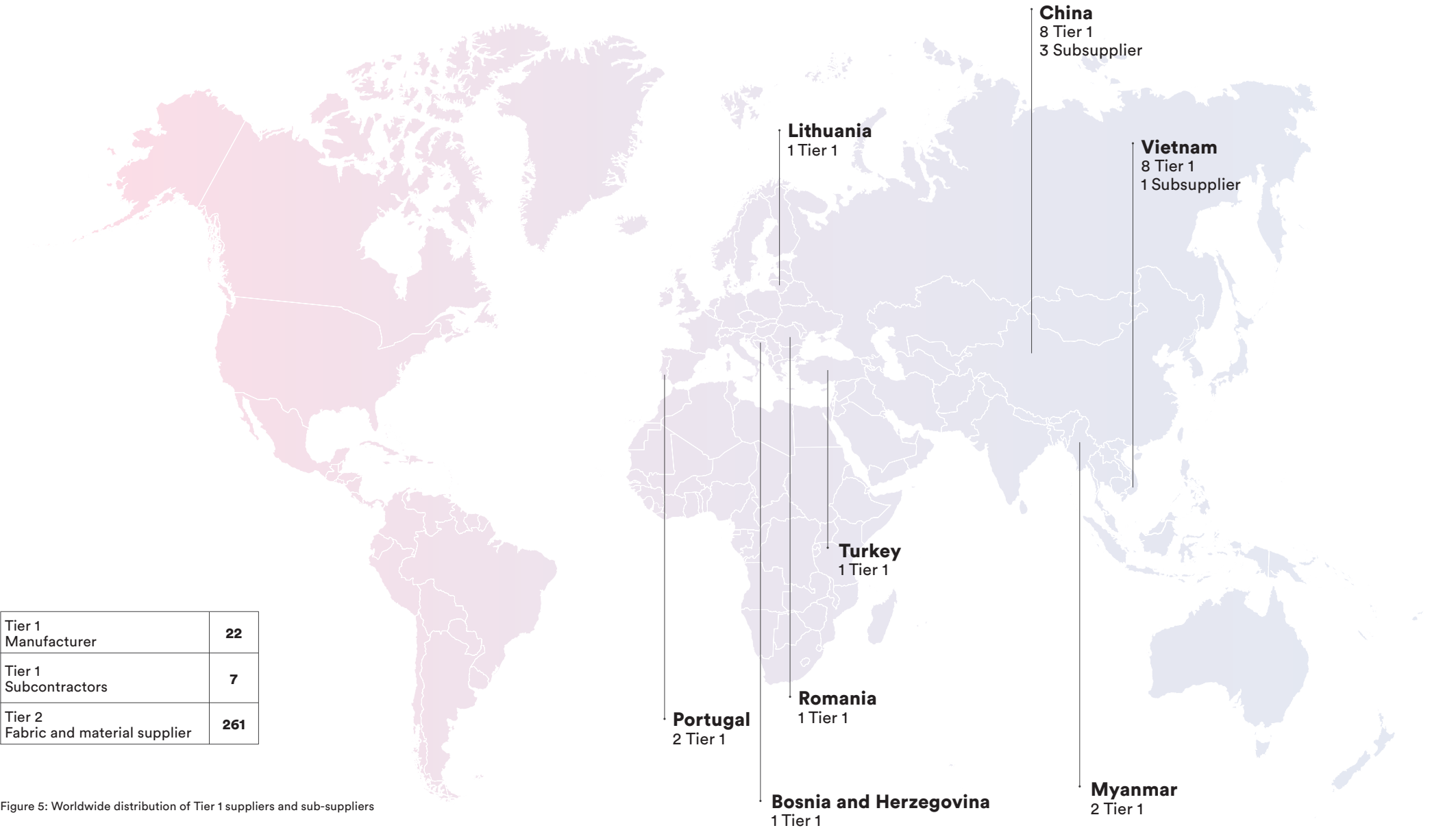


Figure 5: Worldwide distribution of Tier 1 suppliers and sub-suppliers



## 6 Transparency & communication

Latest since the achievement of the Fair Wear Leader status in 2018 we proudly communicate our corporate responsibility efforts through many different channels.

Our seven brands mainly use their websites and social media to inform the public about our sustainability strategy and current achievements, such as the regaining of the Leader status in 2021. Each brand has its own sustainability section on their website, where they for instance describe our cooperation with Fair Wear. In addition, all brands frequently communicate through their Instagram and Facebook channels with sustainability Q&As. For the third year in a row, we have also published a CR booklet in which we report on projects and issues regarding social and environmental sustainability from the past year. It also reports on certain sustainability indicators, explains our risk analysis and introduces our partners. This is uploaded on our website and print versions are distributed to our retailers. It is our ambition to design the report in an easily understand-

able and appealing way to give our customers an insight into our daily work. Further, FOND OF communicates via press releases or the corporate responsibility section of the website.

We communicate openly on what happens at our factories and how problems can be solved in cooperation with Fair Wear. By communicating things that still need to be improved upon, we thus motivate ourselves to work on the best solutions for workers at our suppliers.

## 7 Stakeholder engagement

Through our membership with Fair Wear, we have the chance to meet multiple stakeholders. This has enabled us to establish contact with the Clean Clothes Campaign as well as the International Labor Organization (ILO). Although, we are not a member, we are also in regular contact with German Textiles Partnership and the German Society for International Cooperation to stay up to date regarding news and developments in the political field.

In addition, we have been able to gain a new strong partner: the Green Button. The Green Button is a meta label for sustainable textiles of the German government. The Green Button establishes binding requirements to protect people and the environment. A total of 46 demanding social and environmental standards must be met. Among other things, our Fair Wear Leader status enables us to label certain products with the Green Button and thus build consumer trust. The prerequisite for the Green Button is to carry out a comprehensive risk analysis of our supply chain.

For the identification of country-specific risks, Fair Wear's country studies provided valuable assistance. In addition, we gathered information on possible risks through external sources like OECD, ITUC or Textile Exchange. This enabled us to have a thorough overview of possible human rights risks in our sourcing countries.

Furthermore, we value the exchange with other member brands of Fair Wear very much, as they often work on similar projects.





We are happy to receive questions  
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