

SOURCING REPORT 2019/2020

takko.com

TAKKO
FASHION



Andreas Silbernagel (CFO), Alexander Mattschull (CEO), Ulli Eickmann (CSO, v.l.n.r.)

INTRODUCTION

Dear Readers,

‘Smart retailing’ and ‘sustainability’ are two intrinsically linked aspects of our discount fashion concept. As one of the most successful discount fashion retailers we take our responsibility towards our customers, our employees and our business partners very seriously.

We work hard every day to maintain and optimise transparency along our entire textile value chain. To achieve this goal we build and nurture strong relationships with our long-term business partners. Fair terms of employment and safe working conditions are our top priorities.

At our partners' factories, where our garments are produced, we monitor compliance with our standards in regular audits, some on an ad-hoc basis, conducted by our own and external audit teams. All of the audits are based on the Code of Conduct that we introduced back in 2007 and statutory regulations on workplace safety.

In 2011 we became a member of the Fair Wear Foundation. Back then we were the first German discount fashion brand to join the FWF and we are still unique in that respect today. The multi-stakeholder initiative acts as an independent partner helping us to improve conditions at the factories where our garments are made and reviews our implementation progress.

We are proud to be making a positive contribution to improving working conditions in the textile industry and we value the insights we have gained through regular dialogue with the Fair Wear Foundation and other allies, such as the Transition Accord signatories and the members of the Partnership for Sustainable Textiles. We believe that constructive collaboration helps both us and our partners to continuously optimise processes and gradually move closer to achieving our common objectives.

In our Sourcing Report we regularly publish information about our activities in this area. It documents the progress we have made in sustainably improving long-term working conditions in the textile industry and the goals we have set. Read on to discover how smart discount fashion retailing and sustainability can be two sides of the same coin.

Sincerely,
The management of Takko Fashion

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1. SMART? DISCOUNT!

Since opening our first store in 1982 we have evolved into one of the most successful discount fashion retailers in Europe. Today we sell practical basics and wearable trendy styles for fashion and cost-conscious families at more than 1,900 stores in 17 European countries.

We sell private label collections created by our in-house designers and product managers and we are a fully vertical retailer.

In addition to styles for women, men and children we retail lingerie, underwear and sleepwear, as well as trendy accessories. We believe it is important to include a good mix of basics and trend pieces in all our ranges.

Our sourcing department in Friedrichsdorf is responsible for the procurement of our garments and for compliance with our stringent ecological and social standards. This is the reason why it works hand-in-hand with the procurement compliance team, which collaborates with our partners to monitor compliance and continuously improve working conditions in the garment-producing countries.

The shipping department focuses on eco-friendly order consolidation because 'smart shipment' is another of our priorities. We always ensure that low-emission means of transportation are used

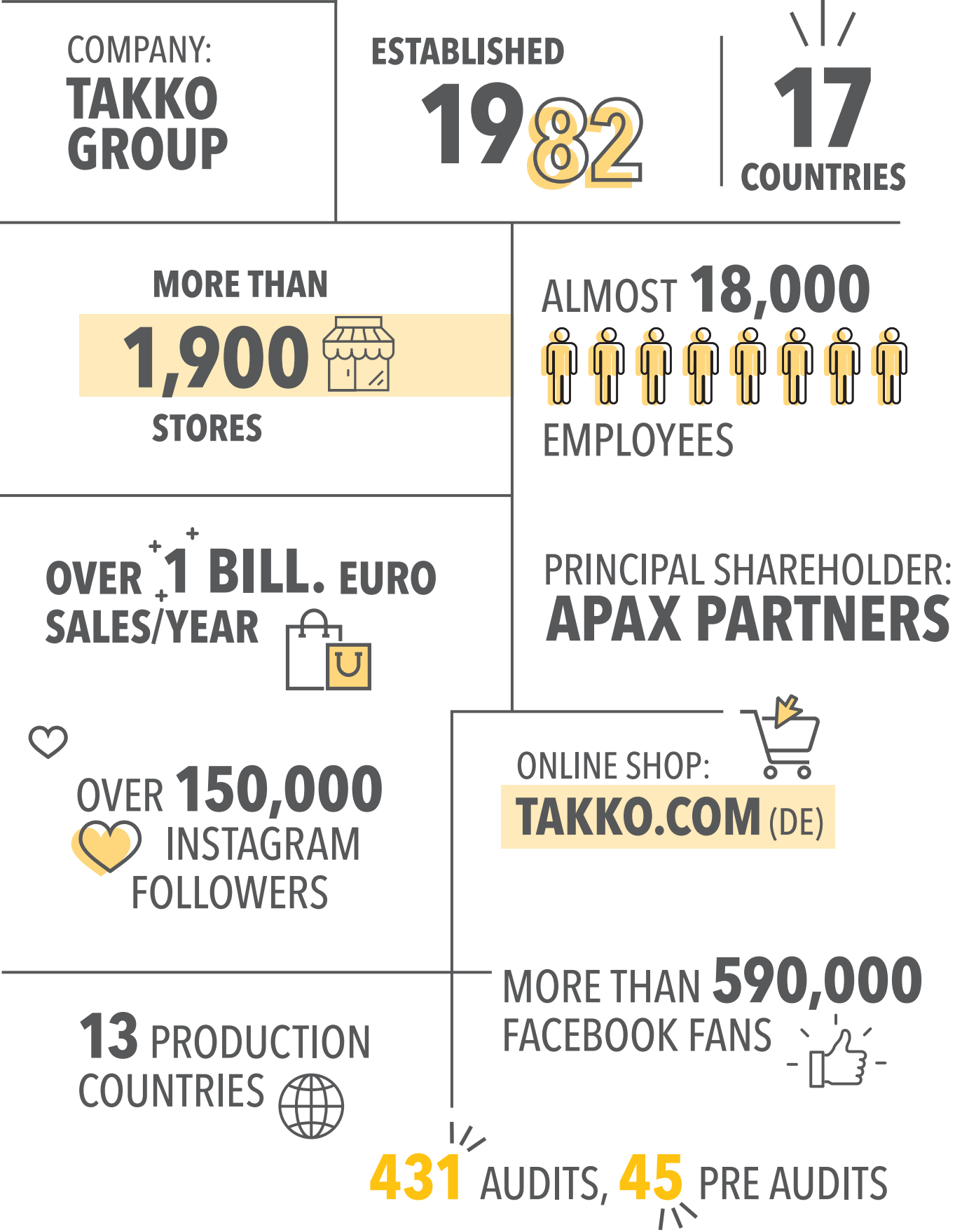
and systematically optimise our goods flows. Our products often travel across long distances before they arrive at our distribution centres and stores. The choice of transportation therefore has a decisive impact on our carbon footprint. This is why we ship almost "89 percent" of our freight consignments by sea and make sure that container capacity is optimally utilised. Whenever possible we try to avoid air transportation.

When we deliver the garments to our stores we focus on sustainability by transporting them in reusable rolling containers to avoid additional packaging waste.

IT'S SMART! IT'S TAKKO FASHION!



CORPORATE FACTS



March 2020 figures

2. PRODUCTION CYCLE



TREND SOURCING

Our in-house designers seek inspiration for new Takko Fashion styles in the fashion capitals around the globe.



DESIGN

The product management team at our Telgte headquarters reinterpret the latest trends to reflect the needs and preferences of our customers.



PRICE NEGOTIATION AND NOMINATION

Our designers' finished styles are sent to the production procurement team in Friedrichsdorf. They place our orders globally and ensure that our products meet our quality standards and pricing policy. Our international offices in the garment-producing countries coordinate the execution of our production orders.

We only buy finished goods, which means that we don't procure the raw materials and components for our products ourselves; this is done by the factories or our partners. Cost sheets are used to calculate the purchase prices for our products. We prefer to place our orders during the low season rather than at peak times. Our standard lead time is seven to nine months depending on product and style.



FIRST SAMPLE

Before garments are approved for production the manufacturer sends samples to our purchasing team. Our technical quality assurance department then conducts tests to assess the quality, fit, design and other characteristics of the samples.



PRODUCTION

Once the garments have passed the quality inspection they are approved for production. Our products are manufactured in the production countries.



SHIPMENT

The finished items are shipped in containers to the Port of Hamburg and from there to our nearby central distribution centre in Winsen. The next leg involves transportation to our German distribution centres in Telgte and Schnelldorf, as well as to our Slovakian distribution centre in Senec. In the last stage of their journey the items are delivered to our stores: around 1,900 in 17 European countries. Products purchased via our web shop are dispatched from our Winsen central distribution centre.



OUR CUSTOMERS

Our customers can discover their new favourite pieces by Takko Fashion once the products arrive at the stores or are available in our German online shop.

3.QUALITY STANDARDS & ASSURANCE

We know that our customers expect dependable quality at affordable prices from Takko Fashion. That is why two of our top priorities are comprehensive quality assurance throughout the entire production process and compliance with high ecological standards on a voluntary basis.

All of our carefully produced garments undergo comprehensive quality tests and inspections before they arrive at our stores or are posted online in our web shop. In fact, our own quality standards are far more stringent than those prescribed by law.



The products are initially checked in the production countries before being sent to our in-house quality assurance department in Germany for further inspection. We check for compliance with requirements for physical properties such as colourfastness, seam durability and shrinkage, as well as adherence to the hazardous substance limits that are defined by the legislators and consumer organisations.

All processes which have a decisive influence on the quality of our products are performed by us. Optimised production and inspection processes enable us to develop, source and supply large volumes of high-quality products.

Close collaboration between all departments involved in the development of our products is very important in this process. They are excellently networked, which improves product quality, shortens times to market and allows us to exploit synergies.







"We are absolutely committed to product quality. If we identify non-conformities during the production process, going against our high standards, we instruct our partners to remediate them. We monitor production activities very closely in a continuous improvement

process. We also proactively suggest simple solutions to our partners – solutions they can implement without incurring high costs."

Dörte Michalski (Quality Control Team Leader)

QUALITY CERTIFICATES

When we manufacture our garments our main priorities are sustainability and quality. That's why we focus on:

-  **Carefully selected raw materials:**
Our products are manufactured with care from selected materials.
-  **Systematic hazardous substance testing:**
We perform some hazardous substance testing in-house and engage external service providers to conduct additional independent tests.
-  **Comfortable fit:**
The use of fabrics that feel pleasant in combination with fit checks ensure that our garments offer excellent comfort in wear.
-  **Clearly defined social standards:**
We obtain undertakings from all partners of their compliance with legal requirements of safety and working conditions during the production of our garments.

Many of the products in our children's and lingerie/underwear ranges are OEKO-TEX-certified and thus conform to exceptionally high quality standards. Our new-born range also includes GOTS-certified items which are produced organically and comply with high social standards.



GOTS (GLOBAL ORGANIC TEXTILE STANDARD)
GOTS is recognised as the world's leading processing standard for textiles made from organic fibres. Certified products must contain a minimum of 70 percent organic fibres and meet strict environmental criteria, ranging from the procurement of organically cultivated natural materials to environmentally and socially responsible production.



OEKO-TEX® STANDARD 100
The OEKO-TEX® Standard 100 was introduced in 1992 as a globally recognised testing and certification system for raw materials, interim products and finished products in the textile industry at all stages of processing. It also extends to accessory materials. The OEKO-TEX® Standard 100 certifies a level of freedom from hazardous substances that exceeds statutory requirements. All components of the products tested must pass the OEKO-TEX® Standard 100 tests to obtain certification.

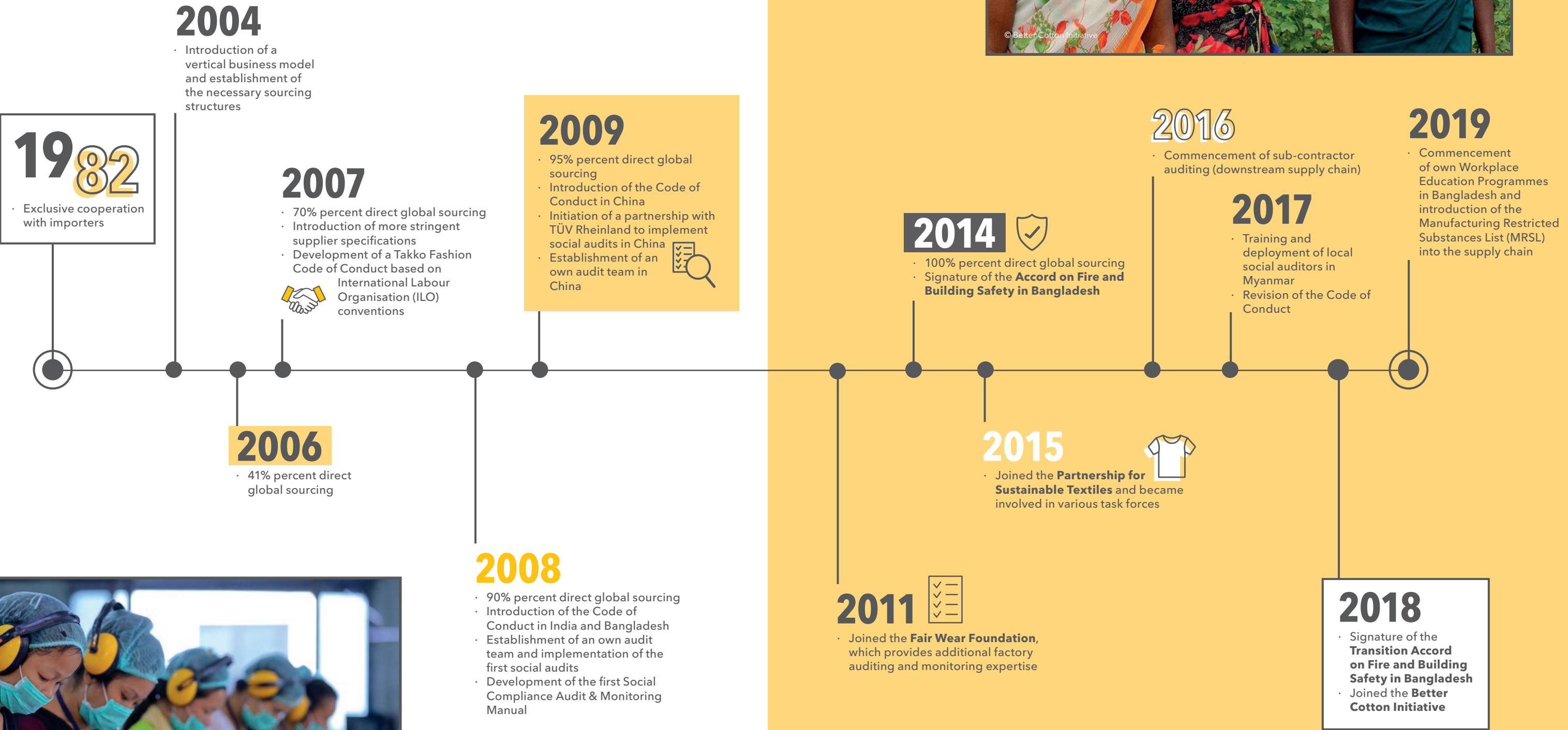


BETTER COTTON INITIATIVE
We aim to manufacture our garments in the most eco-friendly way possible. As a member of the Better Cotton Initiative we support sustainable cotton production. The BCI is a cotton sustainability programme involving environmental and human rights organisations, as well as retailers and brands. The BCI provides training to farmers on more sustainable farming practices, such as how to conserve water and minimise the use of pesticides. It also educates the farmers on issues such as occupational safety.



The BCI uses a chain of custody model called 'mass balance', which means that when an order is placed one farmer somewhere must produce the amount of cotton ordered to a Better Cotton standard, but the cotton supplied does not necessarily come from that farmer. We made a conscious decision to use this system because through our membership of the BCI we pursue the global objective of supporting sustainable cotton production methods.

4. THE HISTORY OF OUR SOURCING PROCESS



ACHIEVED OBJECTIVES IN THE 2019/2020 FINANCIAL YEAR

In the 2019/2020 financial year we implemented several projects and measures to continuously improve working conditions at our partners' factories, where our garments are produced.

For example, we integrated an anti-corruption policy into our Code of Conduct to send out a clear signal against exploitation. It represents a commitment to zero tolerance of all forms of corruption, including extortion and bribery – both in our own organisation and in our supply chain.



We also developed and implemented a training programme to inform factory workers about our anti-corruption policy.

With the help of a special app and a tablet computer we can now automatically enter the

data from conducted audits into our PLM system (Product-Lifecycle-Management-System) so that all the important data is directly available to us in digital format. The data from over 400 audits has already been digitally recorded.



As a signatory to the Transition Accord we were able to continue our excellent work in recent years and implement further measures to improve building safety. For example, we raised the average remediation rate at all the factories used for us by our partners to 96 percent, which is 5 percentage points above the Accord's 91 percent average rate of non-compliance issue remediation for all signatories to the Accord.



OBJECTIVES FOR THE 2020/2021 FINANCIAL YEAR

In recent years we and our partners like the Partnership for Sustainable Textiles, the Fair Wear Foundation or the Transition Accord have implemented many positive changes and important projects. We intend to build on this progress and continue improving working conditions at the garment-making factories.

In the 2020/21 financial year we will be introducing a cost sheet tool to record cost sheets into our PLM. The cost sheets will include CMT prices (cut/make/trim) so that we can work out whether the prices we are paying are high enough to cover worker wages.



Our systematic order entry process includes the entry of data on all the factories and laundry, dyeing, printing processes into our PLM system so that we can identify the wet process subcontractor used by each partner to finish the products in each order and increase the level of transparency in our supply chain. In the 2020/2021 financial year we will commence audits of all suppliers with wet processes in Bangladesh.

We have teamed up with an Indian factory to launch a living wages project. The objective of this project, which runs for five years, is to increase the wages of all factory workers to living wage level.



5. SOURCING STANDARDS – OUR CODE OF CONDUCT



"Our Code of Conduct guarantees that our partners comply with our standards of fairness, honesty, and responsibility in all aspects of their business activities. In most cases our standards surpass the legal requirements in the production countries."

Thomas Ciesielski (Senior Director Sourcing & CSR)

Taking responsibility for our corporate activity is an important pillar of our company's policy. It is our view that in a global economy social responsibility of international companies is not only restricted to sales markets but must also apply in all regions where they operate, wherever possible.

We take the subject of working conditions and social responsibility very seriously at home and abroad.

Therefore Takko Fashion joined the Fair Wear Foundation, the Accord on Fire and Building Safety in Bangladesh and is signatory of the partnership for sustainable textiles.

Takko Fashion is committed to:

- a standard of excellence in every aspect of the business and in every part of the world
- ethical and responsible management in all operations
- respect for the rights of all individuals
- respect for the environment and
- compliance with building and fire safety.

Consistent with our brand values we expect the same commitments to be shared by all suppliers and producers of Takko Fashion products ("business partners") and that they conduct themselves with the utmost fairness, honesty and responsibility in all aspects of their business.

1. FAIR LABOUR CONDITIONS

1.1 Employment is freely chosen

Business partners shall not engage in any form of servitude, forced, bonded, indentured, trafficked or non-voluntary labour.

Business partners will risk allegations of complicity if they benefit from the use of such forms of labour by their business partners.

Business partners shall act with special diligence when engaging and recruiting migrant workers both directly and indirectly.

Business partners shall allow their workers the right to leave work and freely terminate their employment provided that workers give reasonable notice to the employer.

Business partners shall ensure that workers are not subject to inhumane or degrading treatment, corporal punishment, mental or physical coercion and/or verbal abuse.

All disciplinary procedures must be established in writing and are to be explained verbally to workers in clear and understandable terms.

1.2 No discrimination

Recruitment, wage policy, admittance to training programs, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities.

Business partners shall not discriminate, exclude or have a certain preference for persons on the basis of gender, age, religion, race, caste, birth, social background, disability, ethnic and national origin, nationality, membership in unions or any other legitimated organization, political affiliation or opinion, sexual orientation, family responsibilities, marital status, diseases or any other condition that could give rise to discrimination.

In particular, workers shall not be harassed or disciplined on any of the grounds listed above.

1.3 No exploitation of child labour

There shall be no use of child labour both directly or indirectly (e.g. by use of subcontractors or daily workers). The age of admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years. There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour.

Business partners must establish suitable age-verification mechanisms as part of the recruitment process, which may not be in any way degrading or disrespectful to the worker.

SPECIAL PROTECTION OF YOUNG WORKERS:

Young workers between the age of 15 and 18 shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals.

Business partners should ensure that their working hours do not impede their attendance at school, their participation in vocational orientation approved by the competent authority or their capacity to benefit from training or instruction programs.

Business partners shall set the necessary mechanisms to prevent, identify and mitigate harm to young workers; with special attention to the access, young workers shall have to effective grievance mechanisms.

1.4 Freedom of association and the right to collective bargaining

Business partners will respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner. The workers have the right to negotiate as a group with their employer.

Business partners must not punish workers who express their opinions and wishes.

When the right to freedom and association and collective bargaining is restricted under law, business partners must not hinder other forms of collective bargaining and workers’ organizations. Workers’ representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their role.

1.5 Payment of a living wage

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and shall always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.

Wages are to be paid in a timely manner, regularly, and fully in legal tender. The level of wages is to reflect the skills and education of workers and shall refer to regular working hours.

Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

1.6 No excessive working hours

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with resting breaks in every working day and at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed twelve hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

1.7 Health and safety

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazard.

Business partners shall take all appropriate measures within their sphere of influence to ensure the stability and safety of the equipment and buildings they use, including residential facilities to workers when these are provided by the employer as well as to protect against any foreseeable emergency. Business partners shall respect the worker’s right to exit the premises from imminent danger without seeking permission.

Business partners shall ensure adequate occupational medical assistance and related facilities.

Business partners shall ensure access to drinking water and sanitary facilities, fire safety and personal protective equipment and adequate lighting & ventilation free of charge.

Business partners will treat each employee with dignity and respect. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

Vulnerable individuals such as – but not limited to – young workers, new and expecting mothers and persons with disabilities shall receive special protection.

Business partners will also ensure that the same standards of health and safety are applied in any housing that they provide for employees.

1.8 Legally-binding employment relationship / No precarious employment

Business partners shall ensure that their employment relationships do not cause insecurity and social or economic vulnerability for their workers. Work is performed on the basis of a recognized and documented employment relationship, established in compliance with national legislation.

Before prior to employment, business partners are to provide workers with understandable information about their rights, responsibilities and employment conditions, including working hours, remuneration and terms of payment.

Business partners shall not use employment arrangements in a way that deliberately does not correspond to the genuine purpose of the law. This includes – but is not limited to – either apprenticeship schemes where there is no intent to impart skills or provide regular employment or seasonality or contingency work when used to undermine workers’ protection or labour-only contracting.

Younger workers shall be given the opportunity to participate in education and training programs.

Furthermore the use of sub-contracting may not serve to undermine the rights of workers.

2. PROTECTION OF THE ENVIRONMENT

Our business partners must follow all environmental laws and regulations applicable in the country where they do business. Business partners must possess the required environmental permits and licences for their operations. Business partners must always adhere to the applicable standards and legal regulations concerning the treatment of chemicals or other hazardous substances, as well as their disposal. Our business partners are obligated to reduce emissions or negative impacts on the environment caused by production. We expect our business partners to act responsibly when it comes to preserving natural resources, and demand continuous improvement of environmental performance.

3. OTHER LAWS

Business partners fulfil all valid laws and regulations, including anti-corruption laws and anti-money laundering laws as well as those concerning the manufacture, price calculation, sale and delivery of products. All references to „valid laws and regulations“ in this Code of Conduct cover local and national legislation, regulations and directives, as well as applicable contracts and voluntary industry standards.

4. SUBCONTRACTORS

Business partners must not engage subcontractors for the manufacture of Takko merchandise or components thereof if the subcontractors have not signed this Code of Conduct and have been approved by Takko for production.

5. MONITORING AND COMPLIANCE

Business partners will authorize Takko Fashion and its designated agents (including third parties) to engage in monitoring activities to confirm compliance with this Code of Conduct, including unannounced on-site inspections of manufacturing facilities and accommodation provided by the employer, reviews of books and records relating to employment matters, and private interviews with employees. Business partners will retain all documentation that may be needed to demonstrate compliance with this Code of Conduct on site.

6. FAIR WEAR FOUNDATION AND ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH

Before starting a business relationship with Takko Fashion, business partners have to guarantee their compliance with Fair Wear Foundation and the Accord on Fire and Building Safety in Bangladesh standards.

7. PUBLICATION

Business partners will take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to employees, including the prominent posting of a copy of Fair Wear's Code of Labour Practices as well as the Worker information Sheet in the local language and in a place readily accessible to employees at all times.

6. SOURCING STRATEGY AND ORGANISATIONAL STRUCTURE

We only allow our products to be manufactured at factories we have inspected and found to be safe. For this reason we have established a clearly defined organisational structure for our sourcing process and ensure that our supply chain is as transparent as possible. We continuously build our relationships with partners and, at the same time, improve the factory workers' working and living conditions. This is the task assigned to our procurement compliance team in Friedrichsdorf, which was set up specifically for this purpose.



"We monitor compliance with our Code of Conduct by conducting regular factory audits, reviewing corrective action plans and assessing implementation status. We also provide training at the factories themselves. Our work serves to bring about continuous improvements in working conditions and create safe working environments for the factory employees. We are supported by local CSR teams based at our international offices in China, Bangladesh, India and Myanmar, and by the Fair Wear Foundation."

Patricia Zülch (Procurement Compliance Expert)

AUDIT PROCESS

We implement regular audits at the partner production facilities where our garments are manufactured. The social auditors visit the factories to conduct both scheduled and unscheduled audits. In addition to our local auditors we use the services of the renowned auditing firms Sumations and TÜV Rheinland in order to be able to conduct audits in all of the production countries. All audits are based on our Code of Conduct and statutory regulations on workplace safety.



AUDIT SCHEDULING

If we are planning a scheduled audit, we contact our partner to arrange a date for the audit and discuss the audit process.



FACTORY VISIT

During the factory visit the current safety standards are inspected, information is obtained from available documents, the documents are checked for accuracy and interviews are conducted.



OFF-SITE INTERVIEWS

Off-site interviews are conducted either after the audit, or in between two audit days. The interviewers talk to factory workers so that they can communicate their personal views.



CONCLUSION

The audit concludes with the development of a Corrective Action Plan (CAP) with the factory management, including timelines for the improvement of social standards which have to be in place by the next audit. Training and education measures are also organised on the basis of non-conformities.



DIGITAL ARCHIVING

All social audit reports and the corresponding CAPs are stored in our PLM (Product Lifecycle Management) system so that the procurement compliance team can evaluate the social audits.



A total of 431 full audits and 45 pre-audits were conducted in the 2019/20 financial year. The percentage audit rate measured in terms of FOB (free carrier on board) was 97.5 percent, which is 2.5 percentage points higher than in the previous year.

COUNTRIES	FULL-AUDITS
Bangladesh	274
China	85
India	37
Cambodia	4
Madagascar	1
Myanmar	25
Pakistan	3
Sri Lanka	1
Turkey	1
TOTAL	431

COUNTRIES	PRE-AUDITS
Bangladesh	9
China	28
Myanmar	7
Cambodia	1
TOTAL	45

ACCEPTANCE OF A NEW FACTORY

Stringent checks are made on the partner and the factory proposed by the partner before we enter into a business relationship with them. They allow us to ensure that the supplier meets all the requirements for a trust-based, long-term partnership. If there is no current social audit report with a corresponding action plan, an audit is conducted by our international office or an external auditor.

We only work with the factory if it meets our standards and is obviously committed to improving social conditions. Final approval of a factory or supplier is provided by the procurement compliance team. If the factory is rejected, the partner is not permitted to place any Takko orders with it.

All potential business partners are required to sign our Code of Conduct. We also inform them about our membership of the Fair Wear Foundation. Potential business partners in Bangladesh are additionally informed that we are a signatory to the Transition Accord and about their obligations under the Accord to participate in initial and follow-up inspections. If the potential business partner declines to accept just one of the above conditions, we do not enter into the partnership.

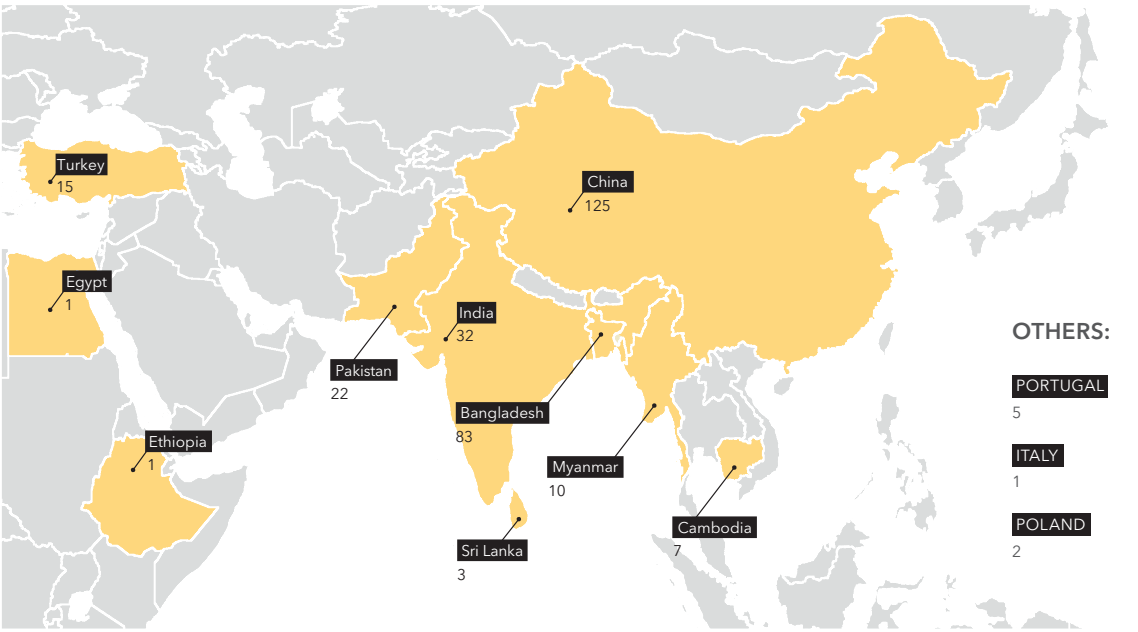
WORKING TOWARDS THE SAME GOAL

We aim to establish long-term and transparent relationships with our partners. As part of this process we try to place our orders with the same regular partners – especially longstanding production partners. This reinforces our supplier relationships and motivates our partners to continue investing in the improvement of working conditions.

If any non-conformities are established during an audit of one of our approved business partners, the production facility is instructed to remediate them. Our partner then has to perform follow-up and monitoring. If, over time and despite discussions with the factory management, a factory shows no commitment to rectifying the non-conformities, the order volume is continuously reduced and we inform the partner that it is no longer permitted to place orders for our products with the factory.

NUMBER OF PRODUCTION FACILITIES

Our products are currently manufactured at a total of 307 sewing factories* in mostly Asian countries. To facilitate positive, continuous and efficient cooperation with our partners and their factories we have established local offices in our main sourcing countries of China, Bangladesh, India and Myanmar. There are over 20 procurement compliance staff at those offices.



Total: 307 production facilities*

As at: 31 January 2020

* Not including jewellery suppliers or additional purchases for carnival or stock goods. The figure includes all sewing factories.

7. FAIR WEAR FOUNDATION

FAIR

WEAR

The Fair Wear Foundation (FWF) is a non-profit organisation founded in 1999 that collaborates with its members and other partners such as trade unions, NGOs, factories, employers' associations and governments to permanently improve workplace conditions in the garment industry. The FWF has over 80 members in more than ten European countries. It represents more than 130 fashion brands with over 20,000 retail outlets in 80 countries around the globe. Takko Fashion has been working with the Fair Wear Foundation for almost a decade now. In March 2019 we also hosted the FWF's German meeting, attended by some 50 representatives of numerous member companies, NGOs and, naturally, the Fair Wear Foundation itself. Discussion topics included current developments and projects, and future objectives.

Social Audits
A central aspect of our membership of the Fair Wear Foundation (FWF) is the implementation of regular social audits to systematically inspect the factories manufacturing our garments. Verification audits are performed at a later date to confirm that the factories have introduced any requested optimisations. Our activities and progress are assessed by the FWF in the brand performance check and publicly reported on the FWF website.



Training and education
The FWF's Workplace Education Programme (WEP) educates factory managers and workers on how to improve internal communication processes and optimise grievance mechanisms. The FWF offers both general and country-specific WEP modules.

Complaint Management
The FWF has a globally unique complaint management system that can be used simply and directly by factory workers and NGOs if they wish to report any issues needing remediation. All contact details are posted on noticeboards or at central locations in the factories in the relevant language. Complaints are dealt with promptly in a transparent process. In the 2019/2020 financial year a total of 16 complaints were published by the FWF. Three examples of original complaints are shown below. Further cases and information about complaints can be found on the **Fair Wear Foundation Website**.



TAKKO HOLDING GMBH, COMPLAINT 617

STATUS: Resolved

DATE: 2019-03-13

CONCERNING LABOUR STANDARDS:
Payment of a living wageReasonable hours of work

The complainant reported that the factory had been asking workers to work on Sunday every fortnight. At the time of the complaint, the workers in finishing departments were asked to work overtime (OT) until 00:00/01:00. Although the factory usually settled the payments within one or two weeks, there was an occasion where workers had to wait six weeks (three Sunday work) before receiving their payments. The factory paid other departments, but general workers, boiler operators and workers at finishing department had yet to be paid. When they questioned HR, they answered that they did not have enough budget and that workers had to wait until Finance received the money to pay them. The workers were worried and wished to know the exact date they would be paid because they needed their money.

FINDINGS AND CONCLUSIONS
On 13 March 2019, FWF's complaints handler in Myanmar received a complaint from a worker about delayed overtime payments. The workers in the finishing departments were asked to work on Sunday every fortnight and to do overtime (OT) until 00:00/01:00. Although the factory usually settled the payments within one or two weeks, there was an occasion where workers had to wait six weeks before receiving their payments. FWF declared this complaint admissible and informed Takko, the FWF member sourcing at this factory. Takko contacted the factory management, who responded that they had already paid the compensation concerned on 18 March 2019. Proof of payment was shared with the brand. FWF followed up with the complainant, who confirmed that the compensation had been received. FWF advised the brand to work with the factory to bring down the amount of overtime, and especially ensure that workers enjoy one day's rest for every seven. This complaint is resolved.

2019-03-21 INVESTIGATION
FWF member brand sourcing at the facility, Takko, contacted the factory management.

2019-03-24 REMEDIATION
Factory management responded that they had already paid the compensation concerned on 18 March 2019. Proof of payment was also shared with the brand, which, in turn, shared it with FWF. FWF advised the brand to work with the factory to bring down the amount of overtime, and especially ensure that workers enjoy one day's rest for every seven. Overtime or work on Sunday could always happen in exceptional cases, but working until 1:00 or on Sundays on a structural basis is really not acceptable and must be avoided. This is mostly a problem of production planning.

2019-03-24 EVALUATION OF THE COMPLAINT
FWF followed up with the complainant, who confirmed that the compensation had in fact been paid.

2019-04-18 RESOLVED
This complaint is resolved.

TAKKO HOLDING GMBH, COMPLAINT 750

STATUS: New

DATE: 2019-07-18

CONCERNING LABOUR STANDARDS:

Reasonable hours of work
Legally binding employment relationship

The complainant reported FWF that the factory demands overtime on Sunday and public holidays very frequently. Whenever there is one, or more than one, public holidays in a week, the factory asks the workers to work on one of the Sundays in that month in order to compensate the production.

Since 16 July, 2019 was a public holiday, the factory demands overtime from workers on 19 July, 2019 which is also a public holiday. According to the complainants, many workers do not want to work on public holidays but dare not go against their supervisors.

Moreover, the workers are asked to perform excessive overtime until 20:30 for 3-4 days a week. Although the factory announced that overtime is voluntary, the workers who deny overtime are scolded or disliked by their supervisors. Therefore, workers feel pressured to work overtime.

NEW COMPLAINT

This is a new complaint that FWF has just filed. At this point in the procedure, the complaint is pending investigation, and FWF has not yet proven it to be grounded. Updates to the investigation will follow. The brand is requested to share the complaint with factory management and to get their perspective. Ideally, this includes obtaining documentary evidence in addition to a statement from management.

FINDINGS AND CONCLUSIONS

On 18 July, 2019, FWF's complaints handler in Myanmar received a complaint from a factory worker, who claimed that the factory demands overtime on Sunday and public holidays very frequently. Whenever there is one, or more than one, public holidays in a week, the factory asks the workers to work on one of the Sundays in that month in order to compensate the production. Since 16 July, 2019 was a public holiday, the factory demands overtime from workers on

19 July, 2019 which is also a public holiday. According to the complainants, many workers do not want to work on public holidays but dare not go against their supervisors. Moreover, the workers are asked to perform excessive overtime until 20:30 for 3-4 days a week. Although the factory announced that overtime is voluntary, the workers who deny overtime are scolded or disliked by their supervisors. Therefore, workers feel pressured to work overtime.

FWF declared this complaint admissible and informed Takko Holding GmbH, the FWF member sourcing at this factory.

The brand informed the factory on 19th July, which replied:

1. Sundays our factory closed.
2. Factory open at 14 July 2019 with labour office permission because of many holidays in July.
3. Public Holidays factory closed except very tight delivery schedule . This is also very rare.
4. On 16 and 19 July, 2019 (Public Holidays) were closed.
5. Regarding for working hour and overtime, we are comply with the existing labour law , in future.

The complaint handler called the worker to cross-check the information shared by the factory. The worker said that on the night of 18 July, the supervisors contacted the workers through phone and Facebook to notify them that they would not work on 19 July anymore. He/she noticed that the factory demands less overtime than before; Workers had to work until 20:30 but now it is reduced to 18:30.

The workers are satisfied for not working on 19 July and for working less overtime.

This case is resolved. The brand is advised to pay attention to such issues when implementing the Corrective Action Plan of the last audit.

TAKKO HOLDING GMBH, COMPLAINT 765

STATUS: Resolved

DATE: 2019-08-09

CONCERNING LABOUR STANDARDS:

Payment of a living wage
Reasonable hours of work

The complainant claimed that the factory has not made overtime payments for over a month now. It was reported that about 20 workers worked overnight OT until midnight on 4 July 2019. However, they were not given clear information on the date of payment for the overtime. They have been waiting for more than a month now but the management did not mention anything. Although the amount may not be very big for the management (est: 8,000 MMK to 12,000 MMK), the complainant indicated that for the workers it was obviously a big deal. Some of the workers have already tried to ask for the money from the management last week but they were scolded for nagging and did not get the exact payment date. The complainant wishes that they get paid on time.

FINDINGS AND CONCLUSIONS

On 9 August 2019, FWF's complaints handler in Myanmar received a complaint from a factory worker, who claimed that the factory had not made the overtime payment over a month. FWF declared this complaint admissible and informed Takko Holding GmbH, the FWF member sourcing at this factory. On 14 August, the member informed the factory about the complaint. On 16 August the factory shared payment records, but information related to 5 workers, including the complainant, was not included.

In order to protect the anonymity of the complainant, FWF complaint handler convinced the worker to wait and enquire with the factory management again for the outstanding payment. In the end, the factory paid the worker on 17 August, which was confirmed by the complainant on 19 August. The complainant indicated that she was satisfied with the outcome. The FWF member company sourcing at the factory is advised to discuss with the factory management, and monitor, that the management does not scold workers when they ask for due payments. This complaint is resolved.

2019-08-16 INVESTIGATION

On 14 August, the FWF member company sourcing at the factory informed the factory about the complaint. On 16 August the factory shared some payment records, but those did not concern the complainant.

2019-08-17 REMEDIATION

The factory paid the worker.

2019-08-19 VERIFICATION

The worker confirmed receiving the due overtime payments.

2019-08-20 RESOLVED

The complaint is resolved when looking at the payment of overtime.

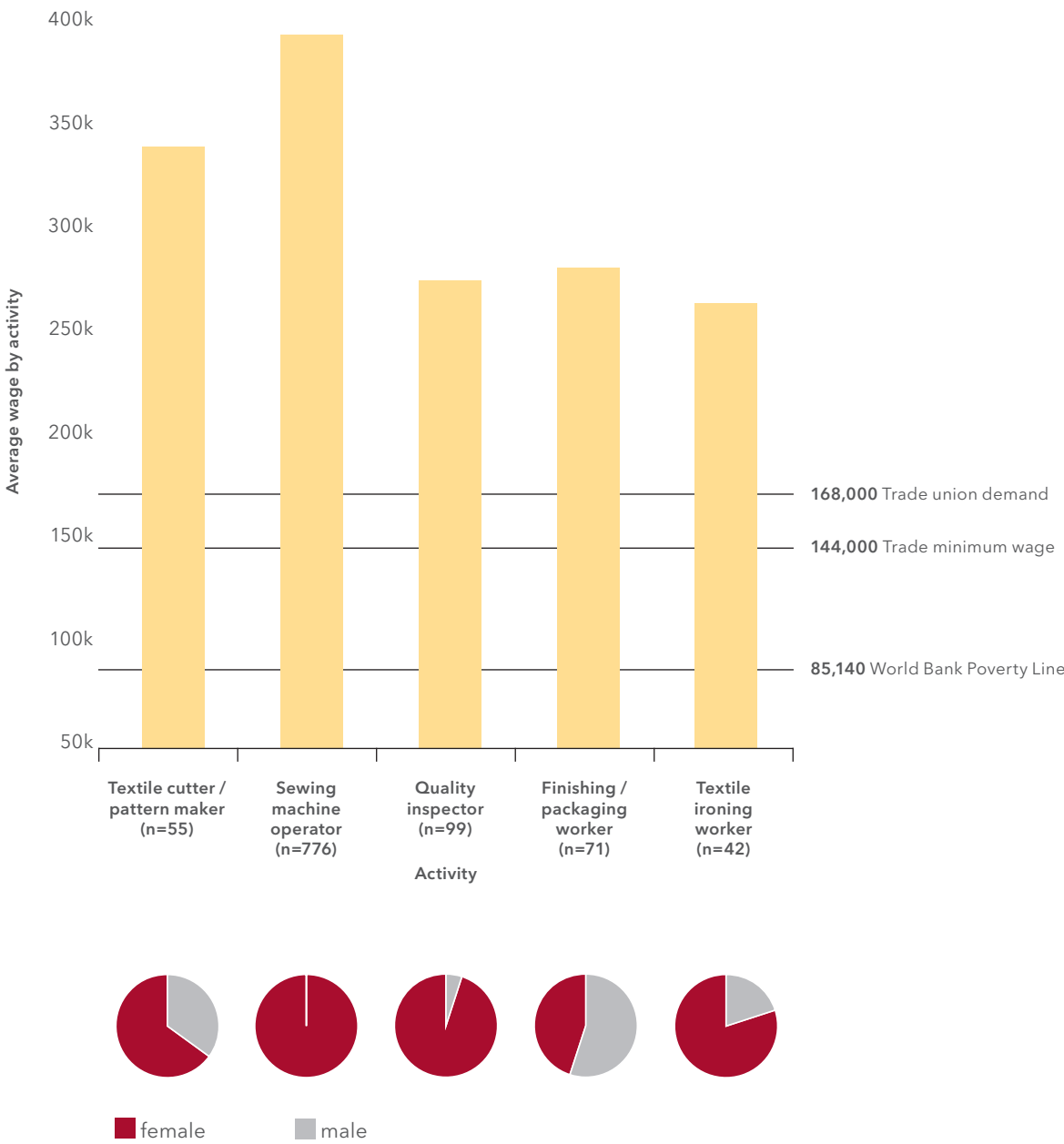
However, the member is advised to discuss with the factory management, and monitor, that the management does not scold workers when they ask for due payments.

WAGE LADDERS

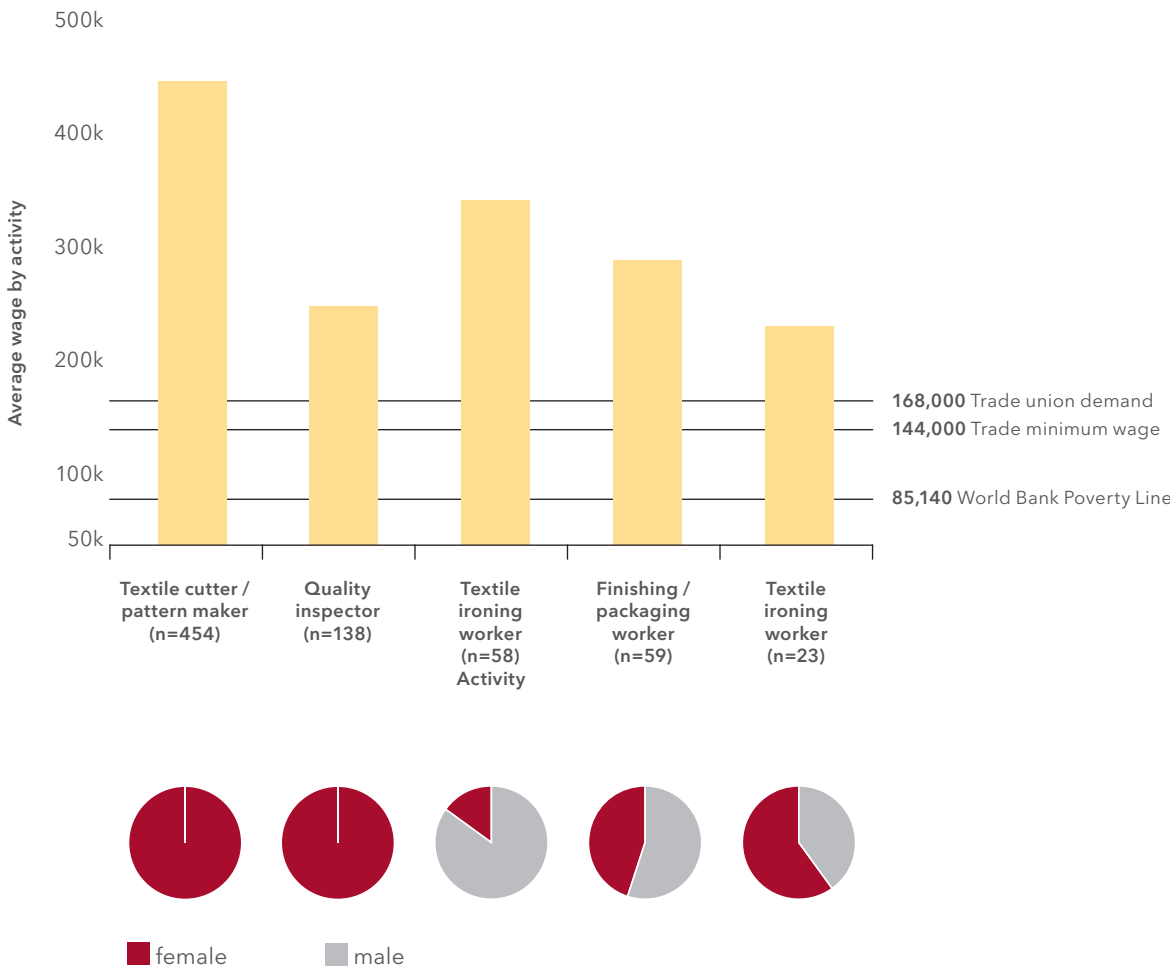


This is the section where we publish the wage ladders for the factories that manufacture Takko Fashion garments under the FWF’s Myanmar Enhanced Monitoring Programme. They also include bonuses and overtime pay. We and the FWF are committed to reducing workers’ overtime hours.

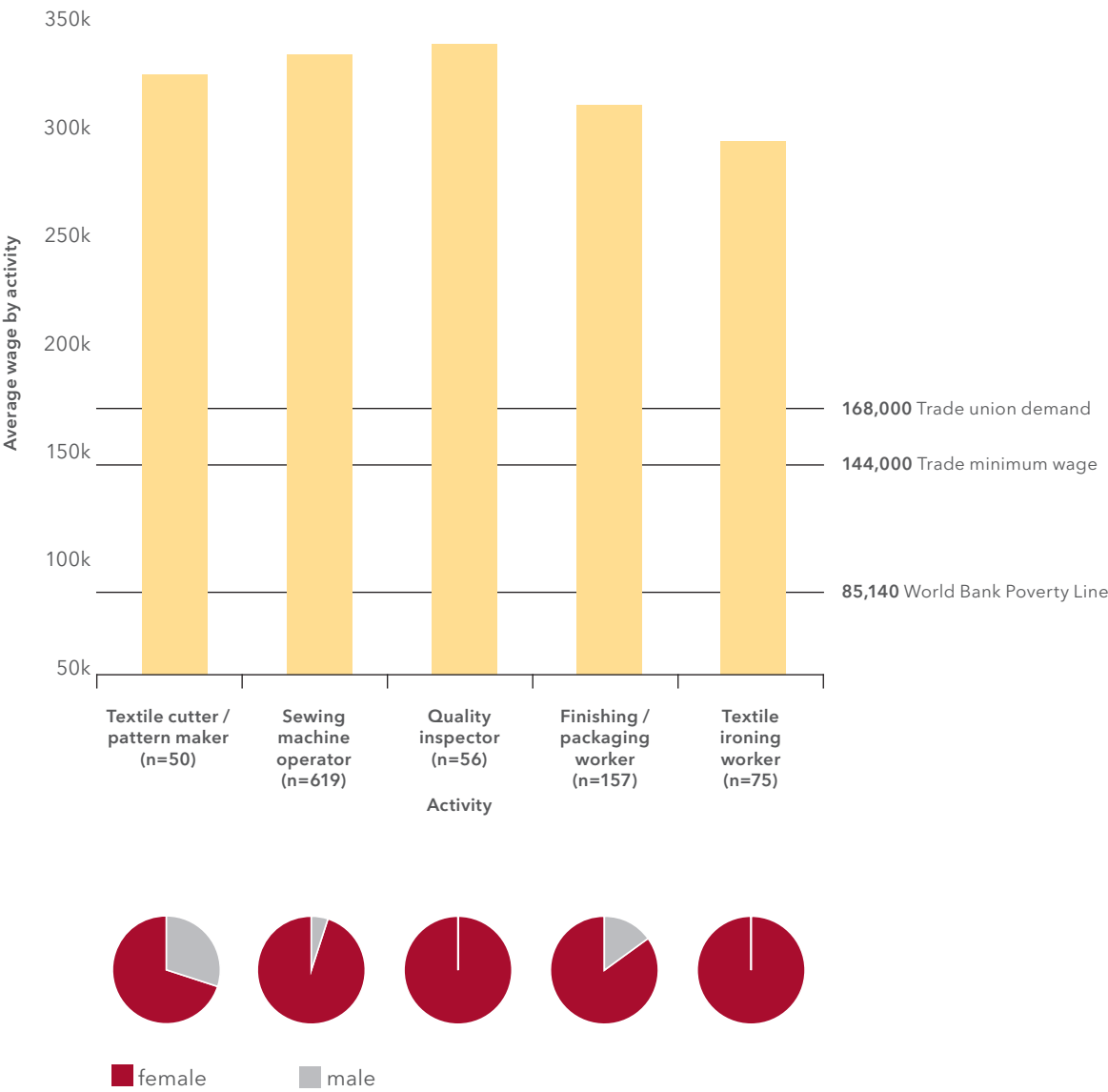
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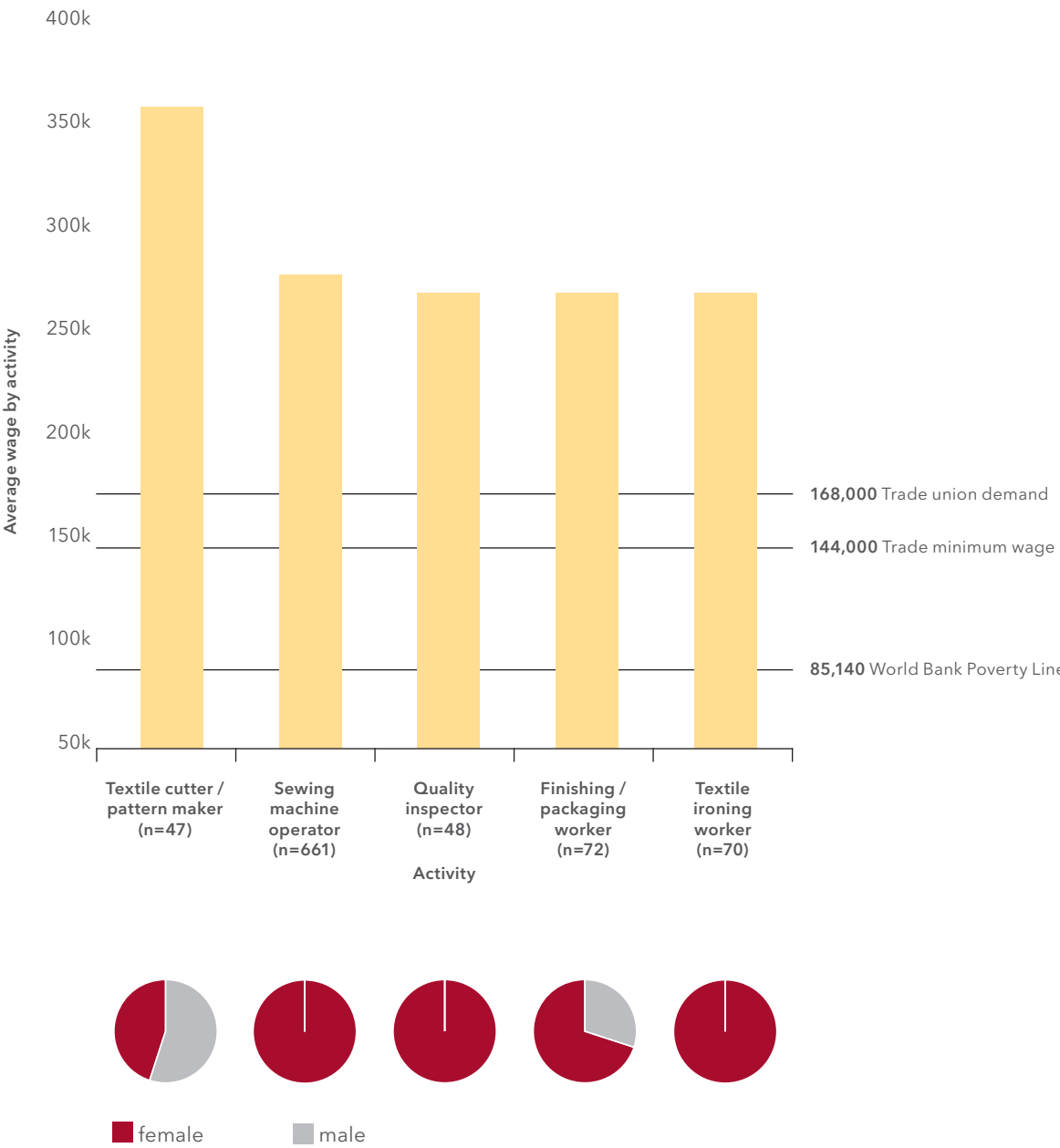
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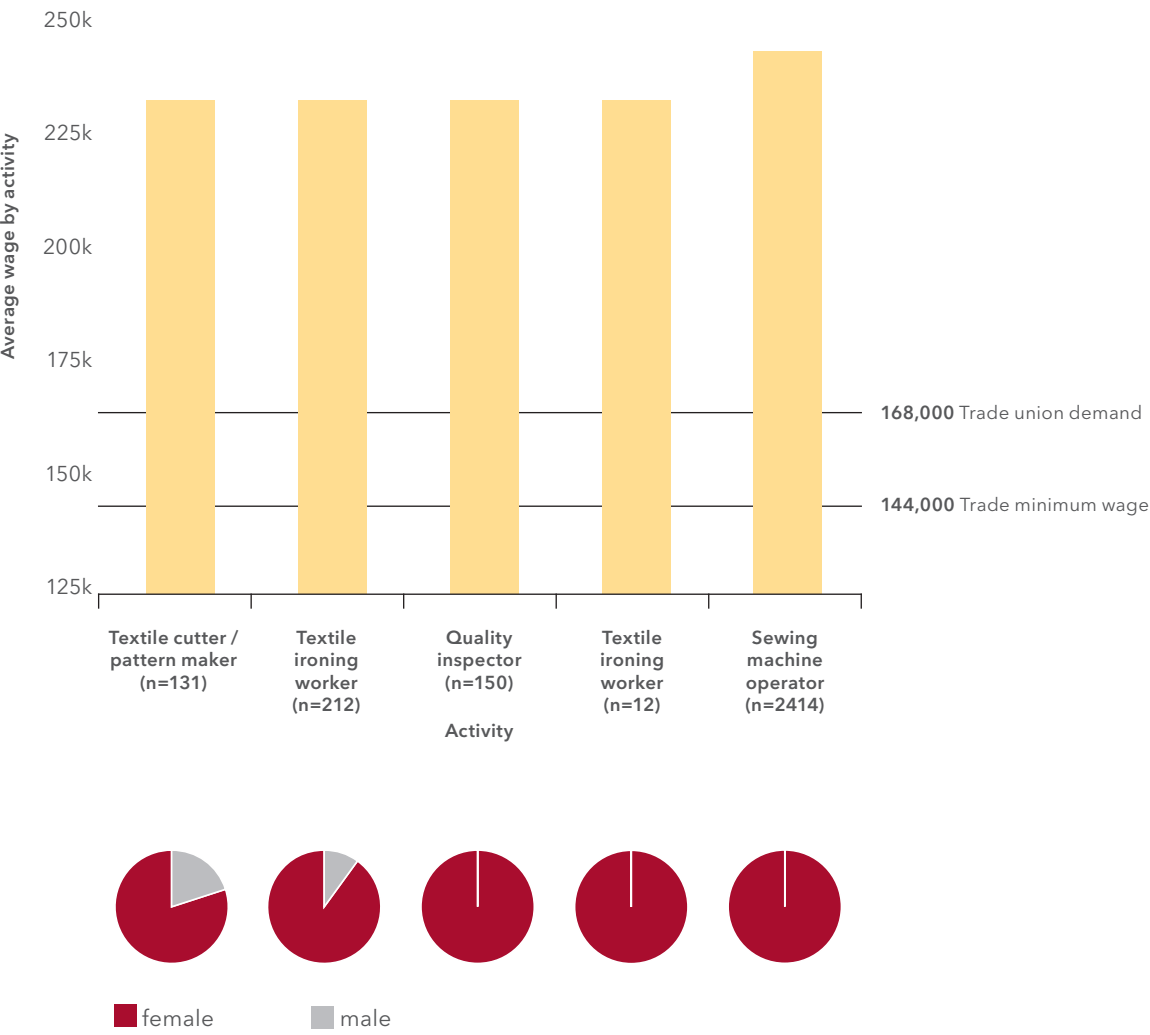
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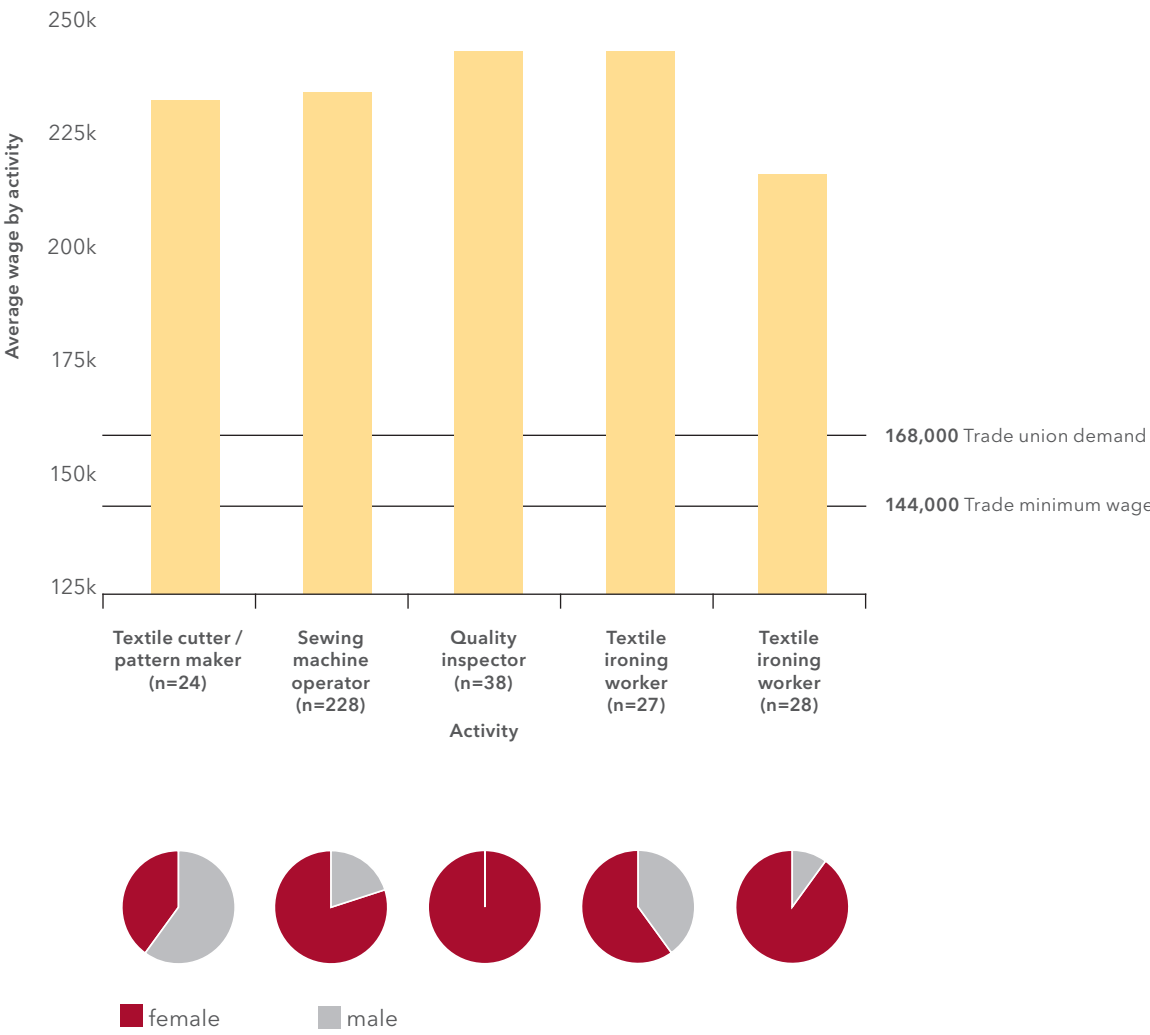
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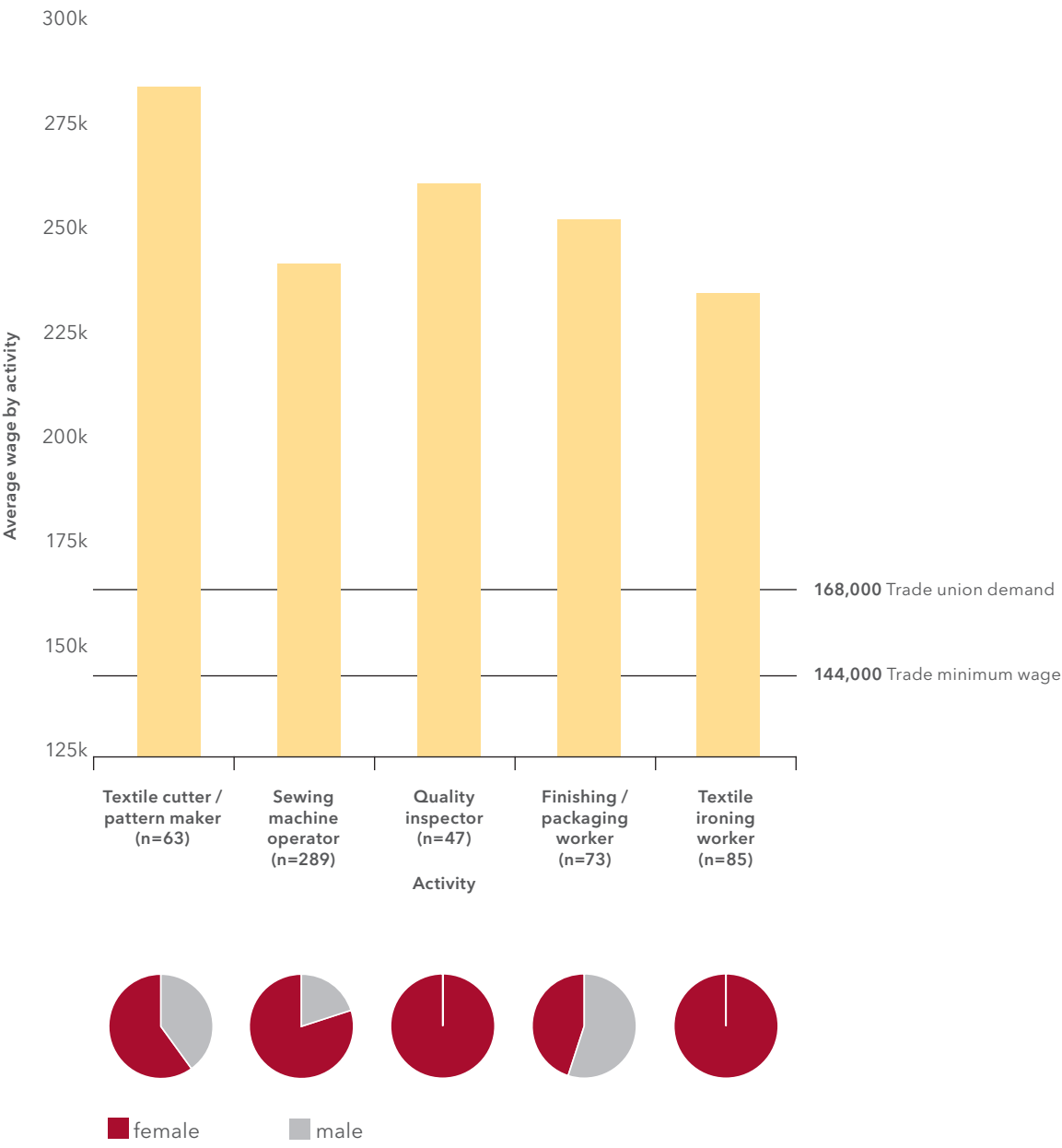
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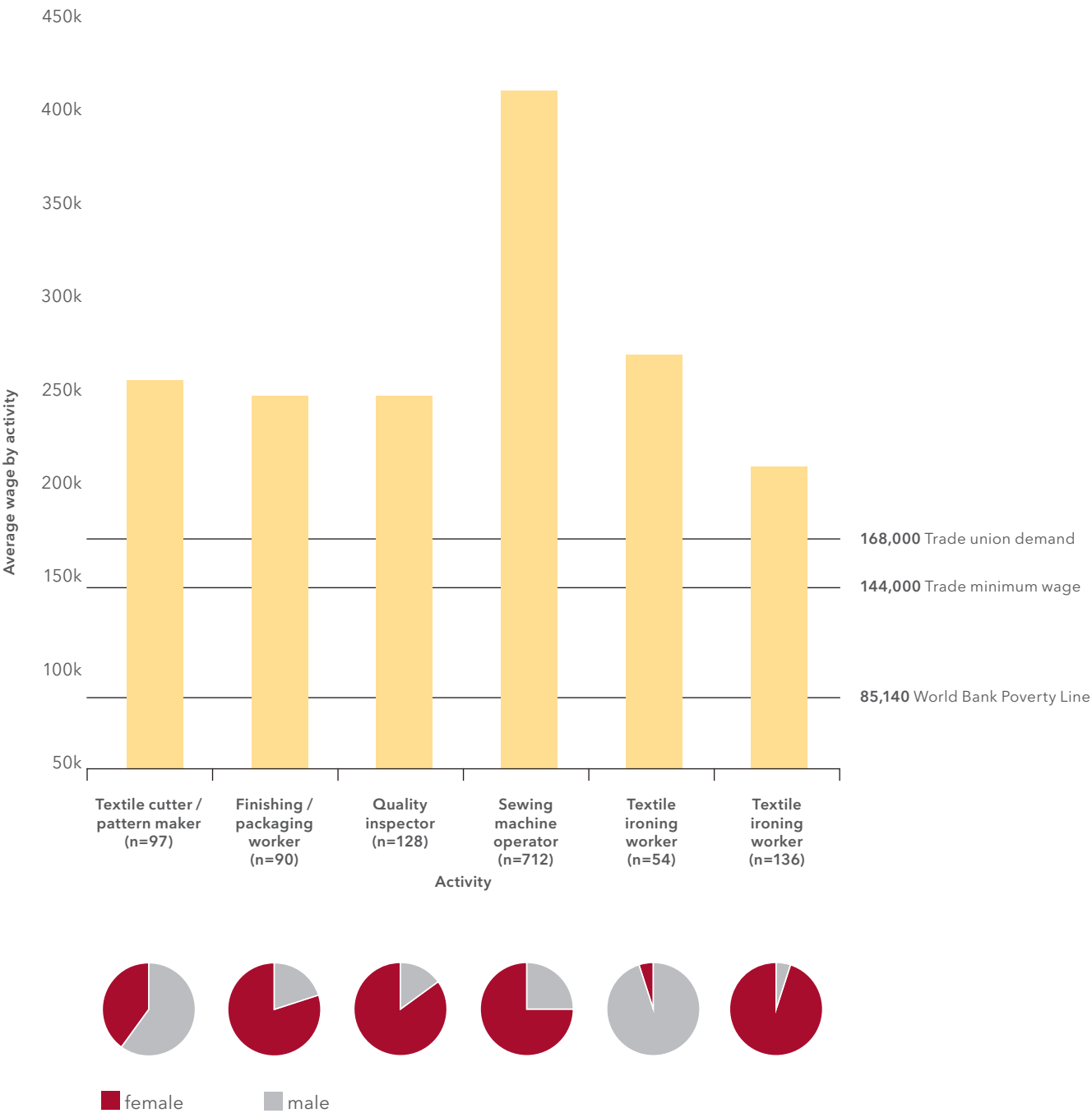
FACTORY F



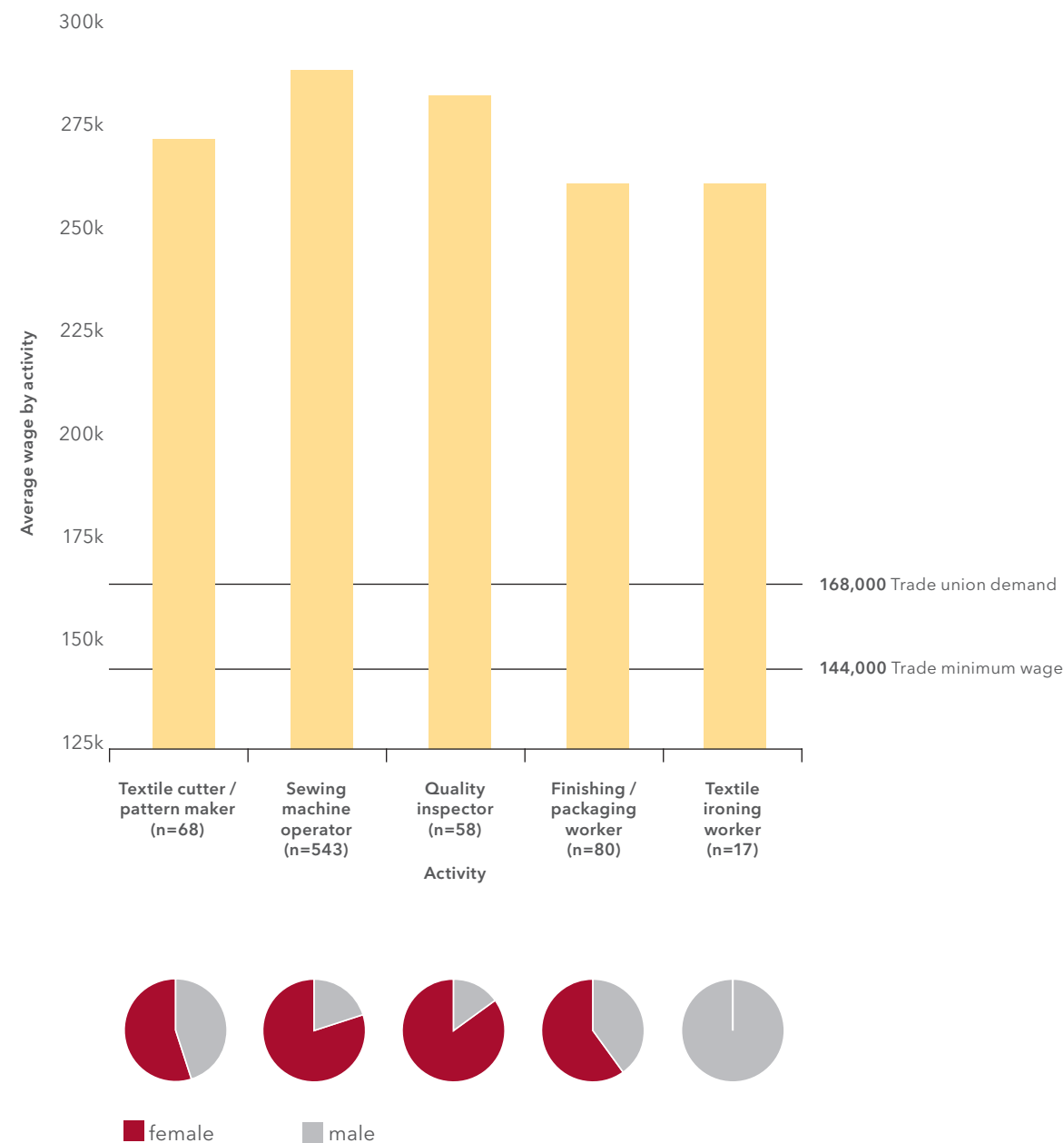
FACTORY G



FACTORY H



FACTORY I



8. TRANSITION ACCORD

We became a signatory to the current Transition Accord as part of our efforts to improve working conditions in the textile industry. It follows on from the Accord on Fire and Building Safety in Bangladesh, which was created in the immediate aftermath of the Rana Plaza building collapse in 2013. Like the Accord on Fire and Building Safety in Bangladesh, the objective of the Transition Accord is to permanently improve fire and building safety at the factories.

Regular factory inspections and training for both the management and staff contribute to sustainable improvements in factory safety. During or directly after the first inspection a Corrective Action Plan (CAP) with deadlines is developed. It is presented to the factory owners, the companies with manufacturing operations in Bangladesh and the employee representation bodies.

All companies who source from the factory are responsible for the implementation of CAP measures.

Takko Fashion is responsible for 102 factories and our partners have an active business relationship with 80 production facilities. At the end of the 2019/2020 financial year our remediation rate for non-compliance issues was 96 percent, which is 5 percentage points above the Accord's 91 percent average rate of non-compliance issue remediation for all signatories to the Accord (at the end of January 2020).

All factories, whether they are active or inactive, were inspected under the Accord and we will continue to monitor them. We also bear responsibility for full remediation of non-compliance issues until our high standards are satisfied.

WORKER PARTICIPATION AND TRAINING PROGRAMME

An important part of the Accord in addition to inspections is comprehensive training programmes. The aim is to support factory workers and help factory owners to make their factories safer at their own initiative. The Accord also helps the factories to set up work safety committees for corrective action monitoring.

SAFETY AND HEALTH COMPLAINTS MECHANISM

The Accord has its own complaints system. All factory workers can use it to report complaints directly to the Accord. Workers who submit complaints are protected against discrimination. The Accord case handlers and engineers examine the complaints and assist in the clarification and resolution process.

9. PARTNERSHIP FOR SUSTAINABLE TEXTILES

The Partnership for Sustainable Textiles was founded by the German Federal Ministry for Cooperation and Development. It is a multi-stakeholder initiative bringing together members from business, associations, NGOs, trade unions, standard organisations and the German Federal Government to improve social and ecological conditions in textile supply networks. The Partnership works according to a four-pillar strategy:

- ✓ Common definition of Partnership goals
- ✓ Improvement of overall conditions in the production countries and establishment of policy recommendations for Germany and the EU
- ✓ Transparent communication of Partnership progress and sustainable textile production
- ✓ A partnership platform for progress documentation, measure feasibility review and experience sharing

As a member of the Partnership for Sustainable Textiles we regularly set objectives for ourselves which are published on the **Partnership for Sustainable Textiles' website**.

We continuously work towards achieving those objectives. In the 2019/2020 financial year all objectives were met – both Partnership objectives and our own. In fact, we surpassed our sustainable cotton sourcing target. We set the objective of 7.5 percent in the Partnership and are already sourcing a higher percentage of sustainable cotton today.

We collaborate closely with other members in various Partnership initiatives and expert committees. Reflecting our commitment to



the introduction of sustainable and innovative chemicals and environmental management at the garment-manufacturing establishments, we are an active member of the Chemicals and Environmental Management initiative. This involves projects such as the production of training videos on the subject of chemicals management in the garment manufacturing industry. We also collaborated on the production of training materials and a guideline on the avoidance of hazardous substances in a Partnership initiative.

To ensure the most effective possible implementation of the Manufacturing Restricted Substances List (MRSL), which is one of our priority objectives, and to monitor progress we have set up a team of internal and external specialists. Our inspections and audits focus on issues such as chemicals handling, the use of personal protective equipment and wastewater treatment. The MRSL lists chemical substances which are restricted or banned in the production processes so that manufacturers can avoid using substances which pose risks to humans or the environment.

We are also involved in various expert groups. In the 'wastewater' expert group we jointly agreed on the ZDHC (Zero Discharge of Hazardous Chemicals) foundational level wastewater standard. It is the minimum standard that our supply chain producers, manufacturers and partners are required to meet. The expert group's work will be continued in the future in the Partnership Wastewater Initiative, which we will also be participating in. As a member of the 'sustainable chemicals' expert group we are collaborating with other Partnership members to develop a definition of sustainable synthetic fibres and ways to classify fibres as sustainable synthetic fibres, in close consultation with international stakeholders, to address the need for more sustainable synthetic fibres.

In the 'living wage' expert group we work towards promoting positive wage developments in the production countries and implement projects such as our Living Wage Project in India.

One of the Partnership for Sustainable Textiles' priorities is to educate the garment manufacturing industry and consumers about sustainability.

Our 'Green Week' was an initiative designed to inform our customers about sustainability. The slogan for this Takko Fashion sustainability campaign in Germany was

**ALLES AUS ÜBERZEUGUNG.
ALLES TAKKO.**

(always true to our mission. always takko) and we are implementing it at our stores, in the web shop and on our social media channels.

We also participated in the Handelsblatt newspaper's 'Chef zu gewinnen' (Win a boss) project in the 2018/2019 fiscal year to increase awareness among students of the issue of sustainability. The project gave students from the Hansa Vocational College in Münster the chance to spend a day at Takko Fashion and ask our CEO Alexander Mattschull questions about our procurement and sustainability activities. Our CSR officer also gave the students interesting insights into our work with organisations such as the Better Cotton Initiative, the Fair Wear Foundation and the Partnership for Sustainable Textiles.



IMPRINT

Contact

Takko Fashion GmbH
Alfred-Krupp-Str. 21
48291 Telgte
Germany

phone +49 (0) 2504/923-00
fax +49 (0) 2504/923-168

email info@takko.de
web www.takko.com

Press

phone +49 (0) 2504/923-564
email presse@takko.de

