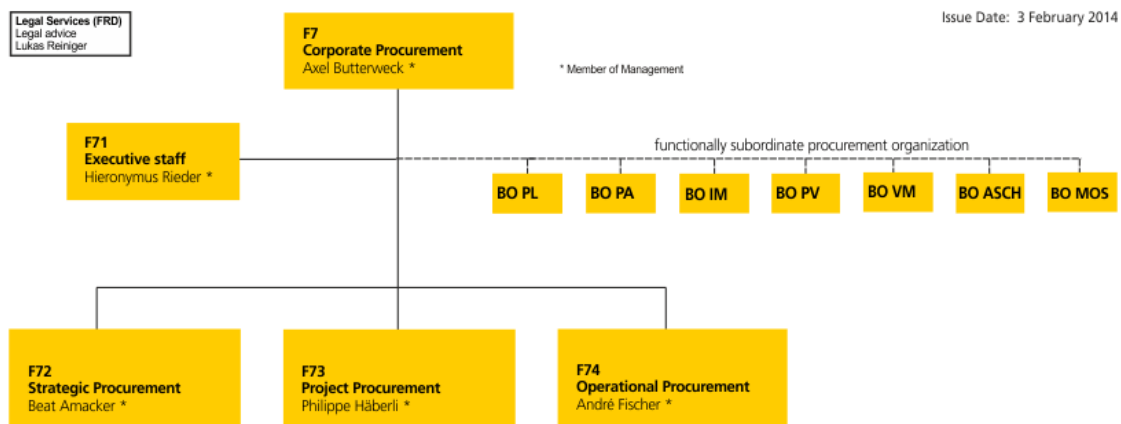


# SWISS POST Ltd.

Member since 13 June 2012

## CLOTHING PURCHASING Report 2013

1 January - 31 December 2013



## 1. Summary: Goals & achievements 2013

Swiss Post was the first major Swiss public company to join the worldwide Fair Wear Foundation on 13 June 2012. The globally active Fair Wear Foundation is committed to sustainable clothing production. Using a multi-stakeholder approach, it brings together industry associations, trade unions and non-governmental organisations (NGOs) as equal partners in order to enforce minimum standards for the employees and promote transparency in the garment industry.

Local organisations play a particularly important role in this process. Part-time auditors are usually local experts, such as doctors and lawyers, who are trained to audit production operations for the Fair Wear Foundation. Swiss Post aims to ensure the continuous further development of working conditions at our international garment suppliers. We increased significantly in the minds of the management and also of the employees the awareness of FWF code of labour practices. In 2013 we achieved the following important results:

We performed six new audits, three re-audits. The share of purchasing volume sourced from audited companies increased from 80% to 87% with consideration of external suppliers. Excluding external suppliers, 96.4% of all our garments suppliers have been already audited.

We have started a pilot project with our Swiss intermediary partner in Bulgaria in its production plant for the payment of living wages. The first success is already visible. We have moved the production of casual trouser orders from China to Bulgaria, so that the production plant could increase its utilisation capacity and improve the wages as a result of increased purchasing quantities.

The excessive working hours in China still pose one of the most important challenges for purchasing.

Most of the producers pay their employees significantly more than the minimum wage of the respective country, however, the wages are usually lower (without overtime) than the living wages set by the Fair Wear Foundation.

The corrective action plans specified by the Audits 2012 were generally implemented successfully. We cancelled the contracts in 2012 with two suppliers, who were not willing to cooperate with FWF rules, and with three others because of small order quantities. We would like to point out that we were very familiar with our supplier chain before joining the FWF, and are even more so since becoming a member.

***“Clothing produced in a socially acceptable manner for the employees of Swiss Post is a high priority for us. We do not intend to react to external pressure, but wish to lead by example”***

*Axel Butterweck  
Head of Procurement*

Sustainability is one of the most important components of our corporate strategy. Swiss Post purchased 240,000 garments for 37,000 employees in 2013 – mainly from Eastern Europe (85%) and from Asia (15%). Our Social and Ethics Code has prescribed the minimum requirements for the protection of people and the environment for our suppliers since 2006.

In the textile industry, however, it is difficult to monitor whether standards are actually being met. Long supply chains with many subcontractors and different regional laws to protect workers call for professional and independent partners on site. In order to safeguard our socially compatible production conditions, we have joined the Fair Wear Foundation.

This report contains detailed information about how Swiss Post purchases clothing and inspects supplier operations and initiates improvement measures, where necessary, in cooperation with the Fair Wear Foundation, Better Work and UL. We intend to create transparency through this report as regards the purchasing of clothing and the conditions on site in the factories.

Swiss Post intends to fulfil its commitment sustainably and therefore relies on a suitable balance between ecological action, social responsibility and economic success. This not only applies to our activities within Switzerland, but also to the purchasing of goods and services from abroad. The fabrics will be sourced locally, while sea and shorter transport routes are preferred.

The target for 2013 was to further implement the guidelines and methods of the Fair Wear Foundation and implement corrective measures that were agreed with supplier operations during the audit. We did a workshop with FWF in Bern for the payment of living wages with our supplier, who produces in Bulgaria.

During the 2013 purchasing period, six of our suppliers were audited and three suppliers re-audited. Except for two suppliers, all the others were audited in order to determine whether they had implemented the pledged improvements. According to information gathered from the audit results, various correspondence, visits, talks between Swiss Post and suppliers, we were able to create a higher degree of transparency.

We learned that communication in some cases between intermediaries and their subcontractors regarding the announcement of a code of labour practices were not optimal. This point will be improved.

### **Code of Labour Practices of the Fair Wear Foundation**

Swiss Post introduced a Social and Ethics Code for all suppliers in 2006. For clothing purchasing, Swiss Post abides by the working guidelines of the Fair Wear Foundation, on which the producer audits are based. The code is displayed in the factories in the respective national language.

The goal of the Fair Wear Foundation is to improve working conditions in the garment industry. Member companies of the Fair Wear Foundation pledge to only deal with sewn products that have been produced under fair working conditions. Therefore, the Fair Wear Foundation requires business operations to comply with the following Code of Labour Practices:

#### **1. Employment is freely chosen**

There must be no use of forced labour.

#### **2. There is no discrimination in employment**

The employer must treat all employees equally, regardless of their race, colour, gender, religion, political affiliation, union membership, nationality, social origin, deficiencies or disabilities.

### **3. No exploitation of child labour**

There must be no use of child labour. Prospective employees may not be employed before they have reached the age of completion of compulsory schooling and on no account may they be employed under the age of 15. Young people between the age of 15 and 18 must not perform work which can harm their health or safety. For example, they are not permitted to perform work at night or work excessive hours.

### **4. Freedom of association and the right to collective bargaining**

The employees have the right to negotiate with their employer as a group (collective bargaining). The employer must not punish employees who express their opinion and wishes. All employees have the right to join a trade union of their choice or to establish a trade union (freedom of association). If the right to freedom of association and collective bargaining is restricted, the employer may not prevent other forms of collective bargaining and the organisation of workers. Workers' representatives shall not be discriminated against and shall have access to all workplaces necessary to carry out their representation functions.

### **5. Payment of a living wage**

The wages must at least meet the legal minimum (if this has been defined). The wages for a normal working week should always be sufficient to meet the basic needs of workers and their families and provide some discretionary income. Deductions from wages shall not be permitted, which are not provided for by national law. Employees shall be adequately and clearly informed about the specifications of their wages, including wage rates, payment periods and wage deductions. They shall receive a pay slip that contains this information.

### **6. No excessive working hours**

Hours of work shall comply with applicable laws. In any event, workers shall not be required on a regular basis to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary and the total working hours per week, including overtime, shall not exceed 60 hours. Overtime shall not be required on a regular basis and must always be compensated at a premium rate, in accordance with the legal requirements.

### **7. Safe and healthy working conditions**

The employer must provide a safe and hygienic working environment. The employer shall provide protective equipment, where necessary, and train the employees in how they are used. The employer shall furthermore take measures to prevent accidents and health risks.

Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

### **8. Legally binding employment relationship**

Each employee shall receive a written employment contract and all labour law and social security obligations to employees shall be assumed.

<http://www.swisspost.ch/ethikkodex>

<http://www.swisspost.ch/post-nachhaltigkeit-standards>

## 2. Sourcing strategy

### 2.1. Sourcing strategy & pricing

When purchasing clothing, Swiss Post's concern is that its employees are attired purposefully, attractively and uniformly. Long-term relationships with suppliers are important in order to produce clothing in a socially acceptable manner. We pursue "the middle risk country strategy" predefined by our management, and buy mostly from Europe.

A brief overview of our purchasing strategy, which is based on:

- Trust: long-term relationships with the producers
- Socially acceptable: Acceptance by the manufacturers of Swiss Post's Social and Ethics Code and of Fair Wear Foundation's Code of Labour Practices
- Local sourcing: materials chosen local from the production region
- Dual: for big quantities, one supplier in Asia and in Europe
- Economical: best value for money
- Long lifetime: high quality of the garments

We implement a new requirement in 2014, whereby each supplier has to fill in a detailed product calculation sheet for all used materials. This will allow us to view the whole supply chain, including material and workmanship, prices and transport CO<sub>2</sub> emissions for better traceability of each article.

### 2.2. Organisation of the sourcing department

The two people responsible for sourcing decisions are the buyers. Final approval is given by the head of procurement.

### 2.3. Production cycle

Uniforms do not have several collections, as in the fashion business. Swiss Post plans the production cycles on a long-term basis. In September, it communicates the planned order quantities for the coming year, so that the suppliers have sufficient time to plan the production and purchasing of material and to meet the delivery dates. In Asia there is one delivery date in the first half of the year and in Europe there are three, at the beginning of February, May and August. Swiss Post anticipates a purchasing period of six months from Asia and three months in Eastern Europe. In Eastern Europe, the delivery period can be reduced to two months, depending on the availability of the material. Minor changes to the garments are made each year. For 2014, we purchased all garments earlier with prior timely agreement with the suppliers, because of the closing of the logistics centre in Bern.

### 2.4. Supplier relations

Swiss Post attaches great importance to cooperation with its producers. This is the only way in which a trusting and respectful relationship can be established. On average, cooperation currently lasts for approximately 6,7 years.

Swiss Post searches for new suppliers by means of a competition procedure. The following criteria are applied for the selection of new suppliers and the evaluation of current suppliers:

- Does the producer agree to the Swiss Post Social and Ethics Code and does he pledge to comply with it?
- Does the producer agree to the Fair Wear Foundation's Code of Labour Practices and does he pledge to comply with it? The supplier must agree that the factory will be audited in advance, before placing an order.
- Are the required technologies and machinery available for the production?
- Does the supplier have the required know-how?
- Are the staff qualified?
- Are there appropriate quality standards?
- Is there sufficient capacity for producing the required number of units?
- Can timetables and deadlines be adhered to?
- Is the financial situation right?
- Does the producer have an ISO 14001 environmental management system or Bluesign? Most of our fabric suppliers are Bluesign certified.

In 2013 we cancelled the cooperation with five production plants in Romania, Turkey, Taiwan and China.

We relocated the trouser production from China to Bulgaria, so that the production plant could increase its utilisation capacity and improve the wages as a result of increased purchasing quantities. For this reason, and for reasons of detecting fabric source/quality problems, we cancelled the cooperation with a Chinese supplier.

We cancelled the cooperation in China with a second production plant due to challenges in security and health matters in the factory and because of low turnover. We produce these articles in Poland and Bulgaria in cooperation with an Austrian company with a much better quality of fabric and workmanship.

We cancelled the cooperation with two other family owned suppliers which produce in Romania and Turkey as they did not agree with the rules of transparency which FWF demands from member companies.

In Taiwan we were confronted with challenges in security and health in the factory and also traceability deficits in material sourcing. The plant produced 0.7% of our order volume. The audits had to be done by UL and it was difficult for us to check if they had corrected the matters agreed on or not. We now fully produce this article in Switzerland.

## **2.5. Integration monitoring activities and sourcing decisions**

In 2013, approximately 240,000 garments were produced by 19 suppliers for Swiss Post in 23 factories and in 12 countries. This posed a challenge not only for purchasing and logistics, but also for monitoring the social standards.

Swiss Post provides its employees with 80 different types of garments: Classic suits for women and men, outdoor clothing, knitted goods, T-shirts and sweatshirts, casual trousers, shirts and blouses, work clothing, accessories (belts, ties, caps and gloves), as well as shoes. In 2013 the suppliers originated from Switzerland, the Czech Republic, Slovakia, Hungary, Portugal, Poland, Bulgaria, Romania, Jordan, China and Turkey.

### Product groups and countries

Product group	Country	Order volume/units
Classical women's and men's suits	Jordan	9,554
	Slovakia	7,326
	Romania*	5,405
Outdoor	Slovakia	17,155
	Bulgaria	6,550
Knitted goods	Turkey*	35,223
	China	18,188
	Czech Republic	13,060
	Slovakia	4,500
	Hungary	2,600
Casual pants	Bulgaria	4,726
	China*	9,000
Woven Shirts	China	17,900
	Slovakia	10,000
Work garments	Portugal	4330
Security vests	China	-
Scarf	Slovakia	1,000
Belts	Switzerland	15,820
Ties	China	6,664
	Italy	31,792
Caps	Bulgaria	1,400
	Poland	2,482
	China*	2,500
Gloves	Romania	2,820
External suppliers	Switzerland	9,110

\*Cooperation ended in 2013

We prefer to produce in Europe rather than in Asia because of traceability of the production and materials. The monitoring activities of Fair Wear Foundation influence our sourcing decisions as described below:

If a manufacturer does not accept the FWF standards, we will not work with the factory or we will discontinue placing orders (we first give the suppliers a certain time to review his decision). If major problems are detected during an audit, or major issues are reported within the complaint procedure, our company urges the garment suppliers to take immediate action. Our suppliers have to initiate continuous improvements according to the concept of FWF and CAP (Corrective Action Plan). If this is not undertaken within one year by the supplier, the cooperation will be cancelled. Orders will be stopped immediately for the next round (already placed orders must be produced in order to secure delivery of goods) in the event of non-performance or unwillingness to improve labour conditions.

### **3. Coherent system for monitoring and remediation**

#### **Audit programme**

Swiss Post committed itself to audit 40% of its producers in the first year of its membership in 2012. At the end of 2013, a total of 96.7% of garment suppliers were audited based on turnover (excluding external suppliers). The audits were carried out by FWF, UL, Better Work ILO, FLO and Swiss Post. Swiss Post exceeded the requirements of the Fair Wear Foundation.

#### **All manufacturers audited**

Swiss Post audited all of its suppliers in risk countries prior to joining the Fair Wear Foundation. Currently, 96.7% of purchasing volumes are from audited factories. We continue to implement all improvements derived from corrective action plants. Most of the non-conformities detected in health and safety were eliminated in 2013.

#### **Results and improvement measures**

20 factories were audited within two years in 11 countries. In all of the cases, an improvement process has already been initiated.

#### **Forced labour and child labour**

The audits in 2013 did not give any indication of forced labour or child labour.

#### **Discrimination**

The audits in 2013 did not give any indication of discrimination.

#### **Freedom of association and the right to collective bargaining**

In China and Jordan, freedom of association is restricted due to the political system. Therefore, Swiss Post has encouraged the supplier's management to allow the setting up of worker committees.

#### **Living wages**

Potential for improvement was shown for several suppliers with regard to wages. Most of the producers pay their employees significantly more than the minimum wage in the respective country.

#### **Adequate working hours**

Overtime is a well-known problem in the garment industry. However, for Swiss Post uniform production there is no reason for working overtime as Swiss Post plans the production over the long term with its suppliers.

#### **Occupational safety and health protection**

The deficiencies related to occupational safety particularly refer to incorrectly positioned fire extinguishers, unmarked emergency exits, missing chain gloves in the cutting department, missing needle protection and missing anti-static mats at the ironing stations. Swiss Post makes the manufacturers aware of the deficiencies, points out ways of improvement and requests photos or videos, for example, to document the implementation.



### Legally binding employment relationship

Many migrant workers from rural areas work in the Chinese garment industry. China lacks a social security system. Therefore, the Fair Wear Foundation is proposing to the factories that they conclude a private commercial injury insurance policy for each employee, as an initial step.

Our three remaining Chinese suppliers have achieved this aim, so that depending on the factory, 70-100% of the workers now have insurance.

### Production partners and audits:

Country	Purchasing volume Swiss Post in % monetary	% Supplier's production for Swiss Post in pcs	Duration of cooperation	Audit 2012	Audit 2013
Bulgaria	7.40%	11%	7 years	FWF	FWF Re-Audit
Bulgaria	0.20%	10%	3 years		FWF
China	2.90%	1%	2 years	FWF Member	FWF Member
China	4.70%	3%	3 years	FWF	FWF Re-Audit
China	0.01%	0.01%	1 year		FWF
China	0.40%	0.10%	1 year		BSCI
China*	0.10%	1%	4 years	FWF	
China	0%	0.10%	3 years	FWF	
China*	2.90%	2%	3 years	SA 8000	
China	0.10%	0.10%	8 years	BSCI	
Czech Rep.	6.40%	14%	5 years	Swiss Post	
Italy	4%	1.20%	1 year		Swiss Post
Jordan	4.30%	0.04%	3 years	Better Work	Better Work Re-Audit
Poland	1.50%	2%	15 years		UL STR
Portugal	2%	0.40%	>50 years	BSCI	
Romania	0.70%	10%	9 years	FWF	
Romania*	2.90%	7%	7 years	FWF	
Slovakia	4.50%	3%	3 years	Swiss Post	
Slovakia	26.60%	15%	3 years	Swiss Post	
Slovakia	3.90%	15%	>10 years		FLO
Switzerland	2.90%	10%	>10 years		
Switzerland Shoes	13%	0.25%	4 years		
Turkey*	8%	8%	>10 years	FWF	
Hungary	0.60%	1%	1 year		

\*Cooperation ended in 2013

Four re-audits and four new audits were conducted in risk countries:

Working Policies of the Fair Wear Foundation	Assessment of non-compliance							
	Bulgaria1 Re	Bulgaria2	China1 Re	China2 Re	China3	Jordan Re	Romania	Poland
Forced labour	0	0	0	0	0	0	0	0
Discrimination	0	0	0	0	0	0	0	0
Child labour	0	0	0	0	0	0	0	0
Freedom of association	0	0	1*	1*	1*	1*	0	0
Right to collective bargaining	1*	1*	1*	1*	1*	1	0	0
Living wages	1	1	1	1	1	1	1	1
Adequate working hours	0	0	1	1	1	1	0	0
Occupational safety & health protection	0	1	0	1	1	1	1	1
Legally binding employment relationship	0	0	1	0	1	0	0	1

0 = No non-compliance detected  
 1 = non-compliance detected  
 1\* = special case because of country conditions

Freedom of association is restricted in China by law. Freedom of association is not fully protected under the current labour law in Jordan.

In China there is no national law specifically governing collective bargaining procedures but only regulations on collective contracts. However, a collective contract established in line with the regulations is legally binding.

In Bulgaria, a Collective Bargaining Agreement (CBA) can be concluded only between the employer/employer's association and trade union (TU) representatives. There is no formal/legal way to sign a CBA with another form of worker organization. TU representation is not common in the garment industry in Bulgaria.

According to the local stakeholders consulted by FWF in China, China lacks a functioning national social security system.

Migrant workers lose 80% of their accumulated social insurance entitlements if they transfer their money between local governments in the event they move back to their home province before the clearance period is completed. Factories tend to take this as a reason to not pay their share of social insurance to migrants, or to offer them adequate compensation.

Working Policies of the Fair Wear Foundation	Bulgaria1 Re	Bulgaria2	China1 Re	China2 Re	China3	Jordan Re	Romania	Poland
Forced labour	0	0	0	0	0	0	0	0
Discrimination	0	0	0	0	0	0	0	0
Child labour	0	0	0	0	0	0	0	0
Freedom of association	0	0	1*	1*	1*	1*	0	0
Right to collective bargaining	pending	pending	1*	1*	1*	done	0	0
Living wages	started	pending	started	pending	pending	pending	pending	pending
Adequate working hours	0	0	started	pending	pending	started	0	0
Occupational safety & health protection	0	started	started	started	started	started	pending	pending
Legally binding employment relationship	0	0	started	0	pending	0	0	pending

0 = No non-compliance detected  
 1 = non-compliance detected  
 1\* = special case because of country conditions

### **3.1. Factories in Bulgaria**

#### **Bulgaria**

Unemployment is high and has increased over the past year, which is contributing to poverty in several regions in Bulgaria. There are not enough young qualified workers in the garment industry.

#### **Bulgaria1**

We have moved the production of casual trousers orders from China to Bulgaria, so that the factory could increase its utilisation capacity and improve the wages by 5.7% as a result of increased purchasing quantities. Workers state that they have observed improvements since the last audit, owing to better support and more regular audits.

The wage level is above the legal minimum wage and has risen to the industry average level. No overtime was needed during 2013. Working Conditions Committees are elected, as well as fire groups in the factory. There is no CBA (Collective Bargaining Agreement) or TU (Trade Union) in the factory.

#### **Bulgaria2**

It's very small factory with 11 workers. Workers interviewed maintain they are satisfied with their working conditions. The working atmosphere is friendly.

All workers are paid above the legal minimum wage. The factory has written internal rules for establishing working wages, in compliance with the Bulgarian regulation on the structure and organization of working wages. The factory pays social security and health insurance fees over the legal minimum wage.

There was no need for overtime work during 2013. There is no CBA (Collective Bargaining Agreement) or TU (Trade Union) in the factory (please refer to the comments on page 10 regarding this topic). There is a Working Conditions Committee.

### **3.2. Factories in China**

#### **China**

Minimum wages in China are locally defined and differ much within provinces, even within a one hour-driving distance.

The young generation that grew up with an ever-increasing western influence is less interested in working in the garments industry. They also show a strong sense of knowing their rights when it comes to working hours and overtime. Contemporary factories are aware that these younger workers are the key to their success in the future and they are trying to make working places friendly for recruiting a younger workforce in China.

#### **China1**

The factory is a member of the FWF and has a relatively stable workforce and approximately 51% of the workforce has been working in the factory for more than three years. More than 60% of the workforce comprises local people, and 40% are migrants from nearby provinces of China. Workers are satisfied with the overall working conditions at the factory.

The factory conducted monthly internal compliance audits to identify the areas that need improvement, and then took immediate remediation action.

Freedom of association is restricted in China by law. A union had been set up in the factory of 60-70 persons nominated from each production department. The union has regular meetings to discuss workers' concerns.

Workers are briefed on the employment terms and conditions and the FWF Code of Labour Practices.

An important milestone was achieved in 2013. The wage level of 80% of piece rate workers has increased at to the level of the Asia floor wage or above.

The factory has allocated a fixed production capacity of one line to the Swiss Post order. One line without overtime will be produced over a five to six month period on the basis of the agreed capacity. It was only possible with very early planning.

Approximately 70% of workers are fully registered with the national social insurance. For migrant workers who wish to not enrol for government insurance, the factory provides commercial insurance, accident and medical insurance.

## **China 2**

This factory, as many other garment factories in China that produce for export, is frequently audited on social standards. The factory has good social compliance system, all documents, policies, manuals are available.

The factory was trained by the FWF with the Workplace Education Programme in 2013. Workers gained improved knowledge and awareness of the FWF Code of Labour Practices during the Workplace Training. Improvements were made after the first audit in December 2012, particularly in the area of health and safety.

Management invested in saving energy and achieving environment-related goals. All the lights at the workshops were changed to low-energy lamps; energy-saving transformers were installed on sewing machines, which enabled them to reduce the energy consumption by up to 25%.

There is a workers' committee of 60 democratically elected workers. This is exceptional for China. Management do not get involved in the operations or functions of the committee. The main function of the committee is to discuss workers' career development, company culture and strategy with the management. The committee holds a meeting with the management once a year. However, workers show little awareness of the functioning of the committee.

The factory employs 10 or more disabled people as a contribution to the local community and society.

Wages increased 10% in comparison to the last audit, but are still below the living wage benchmarks. However, when all benefits and voluntary overtime premiums are taken into account, the average wage for workers is above the Asia Floor Wage.

Weekly working hours are more than defined by the FWF Code of Labour Practices and should be improved on. Workers are free to refuse the overtime hours. All workers are provided with social security (exceptional for China).

### China3

This is a small factory with 55 workers. The first social audit initiated by the FWF to monitor the labour conditions of the factory. Most workers are local people and more than 57% of the workforce has been working in the factory for more than three years. For the workers it is a nice factory to work in, where they feel comfortable and safe without any health and safety concerns.

Workers can write to or call the plant manager or the owner concerning their complaints as well. As it is a small factory, the management enjoy close working relationships with their employees and they are quite open to talk with workers about their needs, suggestions and complaints. There is no CBA (Collective Bargaining Agreement) or TU (Trade Union) in the factory. Workers are not so interested in setting up their own union or organization, and instead are more interested in production so as to make more money. They do not believe trade unions or worker organizations can dramatically change the labour standards of one specific factory in their region.

According to the management, wages increased by 10% compared to 2012, but are still below the living wage benchmarks. When all benefits and overtime premiums are taken into account, the average wage take-home for workers is above the Asia Floor Wage.

Weekly working hours are more than defined by the FWF Code of Labour Practices, which should be improved on. Overtime is voluntary and the workers are free to refuse the overtime hours. 80% of the workforce is provided with pension, medical, accident, unemployment and maternity insurance. Meanwhile, the factory buys commercial accident insurance for the rest of the employees who are not covered under the government social insurance system. This factory will be trained for the Swiss Post order by the FWF with the Workplace Education Programme in 2014, so that the workers can improve their knowledge and awareness of the FWF Code of Labour Practices.

### 3.3. Factory in Jordan

The factory is located in the Qualified Industrial Zones (QIZs). The QIZ areas are designated by the Jordanian, Egyptian and Israeli authorities and approved by the US government. It is a politically driven project by US Government to promote peace in the region through economic development and integration, by increasing trade among the parties concerned.

The factory is permanently monitored and trained by Better Work Jordan and ILO (International Labour Organization) has authority in labour issues. Better Work Program will be financed by IFC (International Finance Corporation - World Bank Group). The State Secretariat for Economic Affairs, Switzerland (SECO) is one of the donors.

A collective bargaining agreement (CBA) between two parallel employers' associations and Jordan's garment union was signed in May 2013. Freedom of association is not fully protected under current labour law. There is a Performance Improvement Consultative Committee (PICC) in the factory. PICC has the aim to help bring the factory into compliance with local labour law and improve workplace cooperation. PICC is comprised of four management and six workers' representatives.

The negotiations for the improvement of working conditions will be held between Better Work Jordan and the Jordan Ministry of Labour. If the factory does not accept the agreed CAPs, (Corrective Active Plan) the export licence will be annulled.

### **3.4. Factory in Romania**

#### **Romania**

This is a small factory with 26 workers. The first social audit initiated by FWF to monitor the labour conditions of the factory. There is a good communication between workers and the management. The wages in the garment industry are among the lowest in the economy. All workers are paid above the legal minimum wage. Overtime working hours are rare; in the event of overtime, the workers receive a bonus of 50% for these hours. In Romania very few factories are organised in TU's (trade unions) in the garment sector. The factory has workers' representatives. The factory has set up and registered the CBA (Collective Bargaining Agreement) at company level.

This factory will have a re-audit this year in order to assess the agreed improvements with Swiss Post.

### **3.5. Factory in Poland**

#### **Poland**

This is a factory with 87 workers. The first social audit initiated by UL to monitor the labour conditions of the factory. There are no trade union or workers' representatives. The owner has daily contact with the workers as he is at the production site every day. Overtime working hours are rare. Some deficiencies in health and security were detected, as well as in employees' documents. This should be improved on.

This factory will have a re-audit in 2014 in order to assess the agreed improvements with Swiss Post.

### **3.6. Factories in low risk countries**

#### **Factories in low Risk regions**

Our remaining suppliers in Italy, Slovakia, Czech Republic, Hungary, Portugal and Switzerland are family owned small and medium-sized enterprises (SME). They are aware of their social responsibilities and attend to their workers carefully. The factories comply with all eight ILO core labour standards and incorporate them in their daily business practices. It should be mentioned that the workers in Slovakia, Hungary and Czech Republic have no interest in joining trade unions.

### **3.7. External production**

We have four external production suppliers, two for very small garment quantities, and two shoes suppliers. We know where the shoes have been produced, i.e. mostly in low risk countries. We buy very small quantities of shoes in comparison to their whole production.

The monitoring activities are conducted at external production suppliers when the FWF staff in the respective country are informed of illegalities. The tender for shoes in 2012 was won by a company from Switzerland which is aware of our FWF membership.

## **4. Complaints procedure**

In each factory, the FWF Code of Labour Practices in the local language is posted for all employees to read. In addition the poster shows contact persons at the Fair Wear Foundation, who employees can contact in the event of a complaint. Swiss Post purchasers inform the workers personally when they visit the factories.

So far, there have been no complaints in the factories which produce goods for Swiss Post.

The Fair Wear Foundation displays its contact details for complaints at the premises of each of its member manufacturers, including the telephone number and e-mail address.

If the working conditions do not comply with the requirements of the Fair Wear Foundation, employees, third parties or non-governmental organisations (NGOs) can contact this independent body. It forwards the complaint to the Fair Wear Foundation anonymously. The Fair Wear Foundation reviews the complaint and sends it to Swiss Post, which in turn initiates improvement measures in the relevant production operation. After successful implementation of the improvements, the complaint case is published on the [www.fairwear.org](http://www.fairwear.org) website. The name of the manufacturer is not mentioned.

## **5. Training and capacity building**

### **5.1. Activities to inform staff members**

Two employees in Corporate Purchasing are responsible for purchasing all of the Swiss Post clothing and for the Fair Wear Foundation project. They communicate internally through e-mail and when necessary by holding meetings with other departments of Swiss Post. In the new uniform catalogue of 2015 there will be a brief information for our employees regarding the Fair Wear Foundation's activities.

### **5.2. Activities to inform intermediaries/agents**

Training for intermediaries who are involved in the execution of monitoring activities was provided by the FWF through work place training in China. When we visit the suppliers we explain to them and their staff the importance of compliance with the FWF Code of Labour Practices. We do not work with agents.

### **5.3. Activities to inform manufacturers and workers**

The strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve social performance is described below:

#### **Measures by producers**

Swiss Post informed the management in the factories in writing about Swiss Post joining the Fair Wear Foundation. The employees in the production locations learned about Swiss Post's membership of the Fair Wear Foundation by means of a poster in their national language placed on an information board.

It is part of our purchasing strategy to make a huge effort to ensure the workers and other staff in the garment factories make improvements in social performance. Efforts should include the following:

- Human resource management
- Managerial skills
- Labour rights
- Health and safety
- Production process and its impact on code compliance
- Communication, grievances and/or complaints mechanisms.

All these issues will be checked during audits and the progress will be monitored by means of CAP's (Corrective Actions Plan) and re-audits. On the basis of the audit results, Swiss Post prepared corrective action plans according to the requirements of the individual suppliers. For example, one training course was held in China in 2013.

A Chinese supplier participated in a workplace training session held by the FWF on wages and overtime for workers as well for management with responsibility in China. The training was organized together with the FWF and Swiss Post. The level of participation was assessed very positively by supplier. The management and the workers were informed about their rights by means of the displayed working policies

A second training session is planned in in China in 2014. The training course will be given by the Fair Wear Foundation.

The auditors of Better Work conduct regular meetings concerning expectations of customer satisfaction and compliance with human rights. Better Work produced cartoons for the employees in Jordan, through which they are familiarised with the subject of occupational safety and accident prevention in an entertaining manner.

## **6. Transparency & communication**

By means of the communication on the Fair Wear Foundation, Swiss Post intends to create transparency and inform the public about its sustainable activities. This relates to internal and external measures. With the internal and external communication about e membership of the Fair Wear Foundation, the Sustainability department, which is based in the Communication department, supports the Purchasing department. Information meetings are held between those in Purchasing and Sustainability.

The internal and external communication measures are suggested by the Sustainability department and are planned and implemented in accordance with the internal communication process of Swiss Post.

### **Internal communication measures**

The management and our employees were informed about joining the Fair Wear Foundation and the awarding of the Ethics Prize by means of a notification about each on the Intranet. Two articles in "Die Post" employee newspaper explain the associated commitments of Swiss Post to stricter monitoring of the social standards of its clothing suppliers.

### **External communication measures**

The general public has been informed about FWF membership and the outcomes of the activities in the work plan through sustainability communication departments on our website, intranet and newspaper.

## **7. Stakeholder engagement**

We are in contact with Brot für alle and Erklärung von Bern.



## 8. Corporate Social Responsibility

### 8.1 Corporate citizenship activities

Swiss Post lives up to its social responsibility. It is committed to society and supports numerous foundations and charity organizations, and promotes sports and culture as well. It also gets involved internationally, for example by working with postal organizations in developing countries. In addition, it focuses on sustainable purchasing.

#### Society

With its wide range of services, Swiss Post makes a significant contribution to the accessibility of all people and regions in Switzerland. It provides basic postal and payment transaction services throughout Switzerland, e.g. customers can hand in letters and parcels or make payments. PostBus makes a valuable contribution to Switzerland's development and progress, as it makes outlying villages and hamlets accessible, thereby significantly increasing the mobility of their inhabitants.

#### Children and youth activities

Children and young people matter a great deal to Swiss Post. For this reason, we support Pro Juventute and the beesmart initiative, provide schools with free equipment, launch educational projects for young people and help Santa out with the Christmas mail.

#### Pro Juventute

Swiss Post levies surcharges on its Pro Juventute postage stamps. With the money raised in this way, Pro Juventute supports children and young people, together with their parents, via a wide variety of different services and programmes.

#### PostDoc

Swiss Post provides schools with free, age-appropriate teaching materials on the subject of communication, from kindergarten to commercial college level. PostDoc supports teaching that is interesting, varied and practical, and is tailored to cantonal curricula.

#### Santa Claus campaign

Each year Swiss Post receives around 16,000 letters from children addressed to Santa Claus. Swiss Post helps by sending these children a gift and a reply in their own language.

#### PostFinance Trophy

The "PostFinance Trophy", Switzerland's largest national school ice hockey tournament, inspires young sportsmen and women.

#### 2 x Christmas

2 x Christmas is a charitable campaign supported jointly by the Swiss Red Cross (SRC), Swiss television (SRG SSR) and Swiss Post. Over the Christmas period, people donate food and day-to-day necessities. Swiss Post transports these free of charge to a SRC logistics centre, where they are sorted and forwarded to those in need by Swiss Post employees and SRC volunteers. 73,000 parcels were collected during the 17th 2 x Christmas campaign in 2013. The goods donated are distributed to needy people in Switzerland and distributed to families and social institutions in Moldavia, Bulgaria, Belarus and Bosnia-Herzegovina.

## **International projects**

Expertise and practical help for postal organizations: Swiss Post supports postal organizations in developing countries, either directly or in close collaboration with the Universal Postal Union (UPU). Swiss Post supports the Universal Postal Union in improving the quality of postal services worldwide, thus making the global postal network more efficient. We provide experts for projects abroad, support seminars financially and use our experience to train line managers. We also help postal organizations in developing countries by providing resources – in 2010, for example, Ecuador and Cuba received 8,000 post boxes.

## **Sustainable procurement**

Swiss Post adheres to economic, ethical, social and ecological standards (e.g. FWF, FSC) in its procurement, and it expects the same from its partners and suppliers.

## **Further memberships**

### **WWF Climate Savers**

Swiss Post is a member of WWF Climate Savers. The group members all pursue ambitious goals to reduce emissions, actively share experiences and engage in joint projects



## **Association for Environmentally Sound Energy (VUE)**

As a VUE member, Swiss Post supports the promotion of renewable energies and ecological energy products.

## **United Nations Global Compact**

The United Nations Global Compact (UNGC) is a worldwide pact between companies and the UN that aims to foster sustainable development and social engagement. Companies must align their business activities and strategies with ten universally accepted principles relating to human rights, employment standards, environmental protection and anti-corruption measures. For Swiss Post, joining the pact is yet another important commitment to making sustainability an integral part of its corporate and management culture.

## **Postal-sector climate protection initiatives**

We participate in the initiatives of PostEurop and International Post Corporation (IPC). Together, we set international standards for the sector and cut CO<sub>2</sub> emissions attributable to postal services. By 2020, the international postal sector wishes to reduce its CO<sub>2</sub> emissions by at least 20 percent compared with 2008 levels.

## **8.2 Environmental activities**

Protecting the climate is a long-term mission which calls for targeted action. Swiss Post has therefore created an action plan to increase its carbon efficiency by 10% by the end of 2016 (based on 2010). Our actions can be summarized as follows:

### **A vision of emission-free mail delivery**

Over 5,000 electric scooters running on energy from renewable sources are already in use. Swiss Post is set to replace the full fleet of petrol scooters by 2016.

It places emphasis on innovative mobility solutions. The company is constantly modernizing its vehicle fleet to reduce environmental pollution and uses increasing numbers of electric, hybrid or biogas-powered vehicles.

### **Efficient logistics**

With a bundle of measures that also optimize the capacity utilization of vehicles and routes, Swiss Post is reducing empty runs and saving on fuel and costs.

### **Eco-driving**

Swiss Post offers its drivers eco-driving training. Measuring equipment and other incentives ensure that the fuel-saving driving techniques are put into practice in daily operations.

### **Building optimization**

Swiss Post is optimizing its buildings in terms of energy efficiency and value for money. New buildings are developed in accordance with the MINERGIE®, MINERGIE-ECO® or SNBS standard.

### **Solar electricity from Swiss Post roofs**

Swiss Post is installing more and more photovoltaic systems on the roofs of its building and contributing to eco-friendly electricity production.

### **Pilot and flagship projects**

Swiss Post is implementing high-impact pilot and flagship projects for alternative drive systems, renewable energies and innovative technologies.

### **Transparency in operations**

Swiss Post's CO<sub>2</sub> emissions are measured and reported in compliance with strict international standards (e.g. ISO 14064-1, Greenhouse Gas Protocol, revised edition 2004).