

# FOND OF

# A member of the Fair Wear Foundation Social Report 2019 / 20



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# 1. Summary: goals & achievements 2019/20

We are not a sustainable organization. We have realized that this goal is everything but attainable. However, we do not see this as a reason to surrender, but to ask ourselves the same question every year again: What can we do in order to make the next step on this never-ending path and did we achieve what we wanted to achieve?

Despite the financial impacts of the COVID-19 crisis, our company – consisting of the seven brands Affenzahn, ergobag, satch, AEVOR, pingpong, FUNKTION SCHNITT – has grown noticeably within the last financial year. Especially our kid's brands ergobag, satch and Affenzahn have had a significant impact on this growth. This growth can also be traced back to the expansion of our product portfolio. Not only did we develop more shoe and apparel styles, but also hats, caps and jackets.

With this product portfolio expansion also came an expansion of our supplier base. Successfully, we have pooled the suppliers of all our brands to keep our supplier base and our tail-end as small as possible.

Once again, we focused on improving our forecasting to give our suppliers the possibility to have better production planning. Despite the COVID-19 crisis, we managed to give our suppliers more exact forecasts.

After having long-lasting discussions with our main suppliers, we have managed to limit the number of their subcontractors while holding this subcontractor base steady. This helped us a lot in improving our audit planning and having long-term relationships also with our subcontractors. Accordingly, we were able to audit most of them by the end of our financial year, improving our monitoring threshold to above 95 %.



## 2. Sourcing

For us, sourcing practices lay the groundwork to achieving fair working conditions, environmental sustainability, and high-quality products. For any purchasing decisions, we consider social and ecological parameters. As to have the best support for these decisions, we have partnered up with the Global Organic Textile Standard (GOTS), bluesign® technologies and Fair Wear.



## 2.1 Sourcing strategy & pricing

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

In the process of choosing a new supplier, we not only systematically consider factors like quality, price, and communication but also social and ecological criteria. This allows us to preview existing audit reports, conduct on-site visits and health and safety checks, or carry out social audits ourselves.

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

### Sourcing Countries

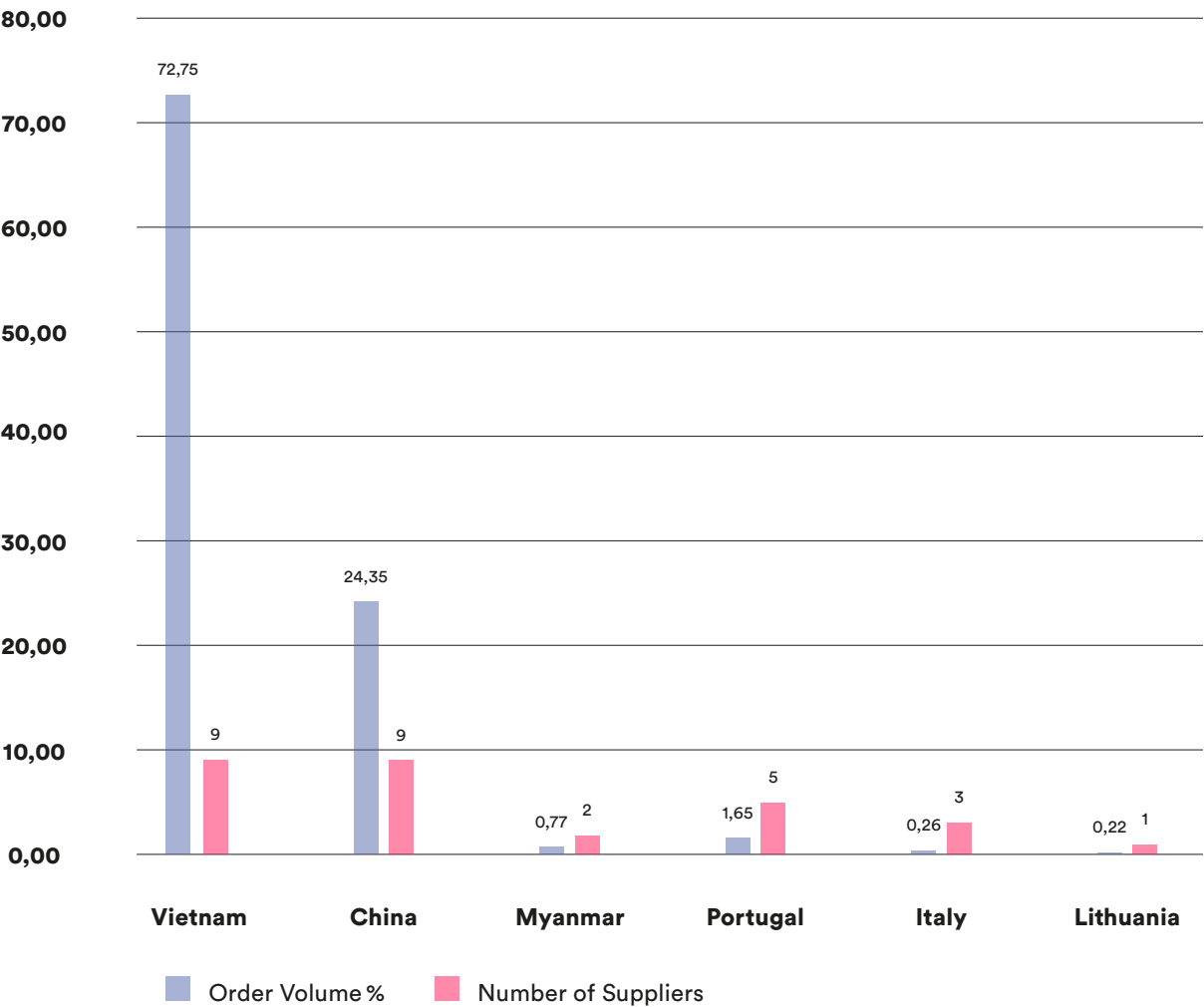


Figure 1: Production countries by percentage of order volume and number of suppliers (Fiscal year 2019 / 20)

## 2.2 Organization of the sourcing department

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

While the Corporate Responsibility (CR)-team interacts with many other teams such as marketing, product management, logistics or communication, our main lever lies within the purchasing process. Therefore, we are part of the procurement department consisting of purchasing, quality, value chain management and CR. In regular meetings, we discuss current issues, conflicts of interest and promote a holistic approach (see figure 2).

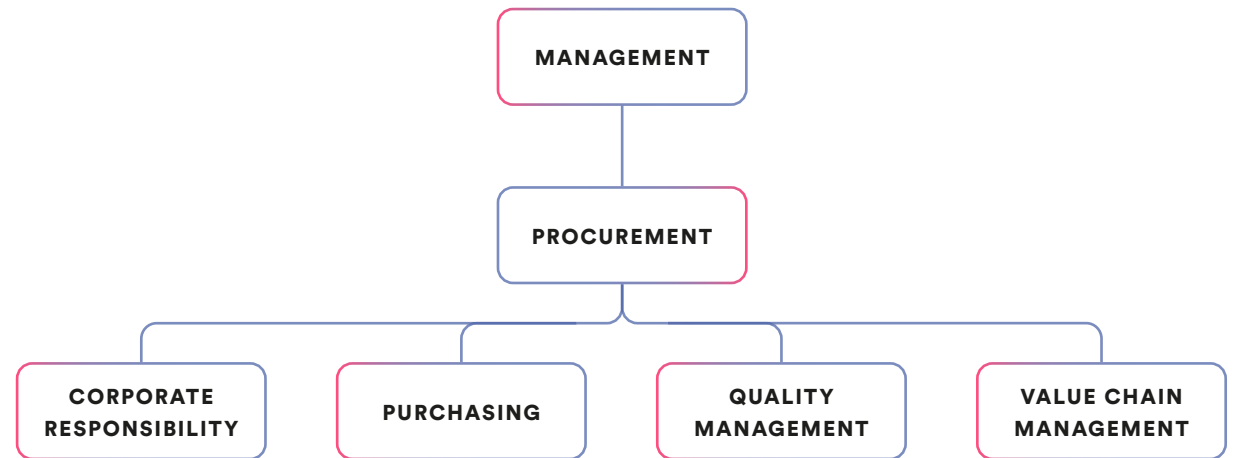


Figure 2: Organizational integration of Corporate Responsibility within procurement department

## 2.3 Production cycle

Since we combine seven brands under our core brand FOND OF, there are various production cycles, depending on brand and product. Thus, we can only depict one production cycle. Since our main products in terms of sales are still ergobag and satch, we present the production cycle for these two. The overall development and production cycle look as follows (figure 3):

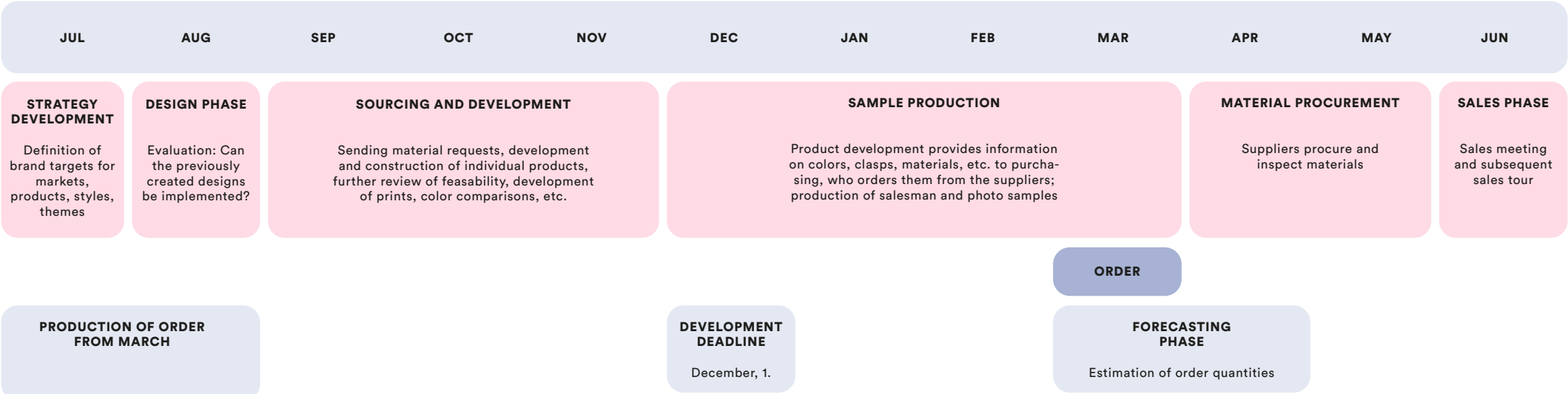


Figure 3: Production cycle

Depending on the brand and collection frequency, this production cycle repeats up to six times per year. There are between two and six delivery dates for an order, depending on the brand, which are spread over 12 months. At the beginning of the order cycle, our suppliers receive a forecast that specifies the respective planned quantities for every delivery date. This enables suppliers to plan their capacity over the long term. These figures are subject to some changes throughout the year.

Through constant discussions with our suppliers, we try to better structure the production planning. However, we have realized that there is no one-fits-all solution to this challenge. Therefore, we do not solely do the planning on our own, but proactively involve them in fixing delivery dates and deadlines. Among other things, we have added more delivery deadlines to allow our suppliers continuous production and thus improve their planning and productivity.

## 2.4 Supplier relations

As a rule, we try to work as closely with our suppliers as possible. Our designers, product developers, purchasers, logisticians, as well as quality managers and the CR team regularly visit our production sites. This allows us to further strengthen our close partnerships with suppliers as well as to understand their everyday problems and challenges and meet these head on.

Due to the COVID-19 pandemic, we had to find other ways of communicating with our suppliers than our common visits. For us, this meant more video calls and more e-mails to have better and mutual understanding of the situation.

During the last financial year, we had to let go of one of our suppliers. This supplier in Myanmar was unfortunately not willing to welcome the auditors for the social audit we had planned at this facility. Thus, it was a clear decision for us to stop this partnership.

Due to the expansion of our product portfolio, we also had to onboard several new suppliers. Usually, the onboarding process covers the checking of purchasing relevant information such as capacity, minimum order quantities, lead times as well as quality procedures and working conditions. Before adding a new supplier, all involved teams (purchasing, quality, and CR) need to approve. For CR this means collecting information on subcontractors, compliance systems, upstream suppliers, and existing audit reports. During this time, we want to make sure that the supplier understands our aspirations in terms of sustainability.



## 2.5 Integration of monitoring activities and sourcing decisions

To make our sourcing decisions more transparent within our internal teams as well as for our suppliers, we are using a supplier evaluation tool. Here, we evaluate our suppliers on a quarterly basis on their communication, quality, production delays, and working conditions. The working conditions item also includes the treatment of subcontractors, transparency, and follow-up of corrective action plans in addition to the audit results.

We base our sourcing decisions on the overall rating achieved by our suppliers. Working conditions are thus proactively drawn into this process, and we promote improvement throughout our supply chain over the long term.

As to improve the wages at supplier level, we also made them part of our evaluation exercise. This helps us to push suppliers towards paying higher wages, despite the fact that data quality is still not perfect and not always available from all suppliers.



### 3 Coherent system for monitoring and remediation

Year by year we pursue the goal of further improving our monitoring system to obtain even deeper insights into the working conditions of our suppliers and sub-suppliers. Thereby, the social audits of Fair Wear represent the foundation of our work. On this basis, we can work with our suppliers on relevant issues in the form of a corrective action plan (CAP). This allows us to address important remediation points and jointly develop solutions to the findings.





### 3 Coherent system for monitoring and remediation

In all high-risk countries, we either audited our suppliers ourselves or gathered existing audit reports and followed up on them. At the end of the fiscal year, we audited all our suppliers and their sewing sub-suppliers in our high-risk countries. Overall, we audited 97,87 % of our order volume and have thus come even closer to our goal to extend our monitoring threshold to the full 100 %.

In addition to the audits, our monitoring system also includes a supplier self-evaluation, regular discussions of working conditions, as well as the completion of checklists. To get deeper understanding and better possibilities of improvement, we use an own-created checklist to conduct evaluations at subcontractors, in addition to the regular health and safety checks.

For the second consecutive year in a row, we have also purchased products from so-called low-risk countries (Portugal, Italy and Lithuania). This means that lower monitoring requirements are requested by Fair Wear in these countries. However, due to COVID-19 related travel restrictions, we could not meet them as we had initially planned to.

Our complete supplier overview for the 2019 / 20 fiscal year can be seen in figure 4.

| SUPPLIER                  | COUNTRY   | FOND OF INVEST | AUDITED          | VISITED |
|---------------------------|-----------|----------------|------------------|---------|
| <b>ASG Global</b>         | Vietnam   | 37,46 %        | ✓                | ✓       |
| <b>ASG Vina</b>           | Vietnam   | 3,52 %         | ✓                | ✓       |
| Ahn Thu                   | Vietnam   | 1,07 %         | ✓                |         |
| Hong Lam                  | Vietnam   | 3,18 %         | ✓                |         |
| Toan Thang                | Vietnam   | 2,02 %         | ✓                | ✓       |
| <b>Starry</b>             | China     | 12,99 %        | ✓                | ✓       |
| Guangxi Starry            | China     | 1,06 %         | ✓                |         |
| Oli-TEX                   | China     | 1,65 %         | ✓                | ✓       |
| Shengde Bags              | China     | 0,71 %         | ✓                | ✓       |
| Shenyang Bags             | China     | 6,79 %         | ✓                |         |
| Tian Bao Bags             | China     | 0,46 %         | ✓                |         |
| Noatex Myanmar            | Myanmar   | 0,76 %         | ✓                |         |
| <b>VIVA</b>               | Vietnam   | 12,21 %        | ✓                | ✓       |
| <b>INS</b>                | Vietnam   | 5,40 %         | ✓                | ✓       |
| <b>Pungkook II</b>        | Vietnam   | 3,65 %         | ✓                | ✓       |
| <b>Haksan</b>             | Vietnam   | 4,26 %         | ✓                | ✓       |
| <b>Marzim</b>             | Portugal  | 0,98 %         | Low Risk Country | ✓       |
| <b>Olmac</b>              | Portugal  | 0,47 %         | Low Risk Country |         |
| <b>Doppler</b>            | China     | 0,34 %         | ✓                |         |
| <b>Tianchang Jinhui</b>   | China     | 0,32 %         | ✓                |         |
| <b>Utenos</b>             | Lithuania | 0,22 %         | Low Risk Country |         |
| <b>Copy</b>               | Italy     | 0,16 %         | Low Risk Country | ✓       |
| <b>Castro &amp; Silva</b> | Portugal  | 0,12 %         | Low Risk Country | ✓       |
| <b>Gioia</b>              | Italy     | 0,10 %         | Low Risk Country | ✓       |
| <b>Younited Nature</b>    | Portugal  | 0,06 %         | Low Risk Country |         |
| <b>Jackbeanie</b>         | China     | 0,04 %         | ✓                |         |
| <b>Valerius</b>           | Portugal  | 0,01 %         | Low Risk Country | ✓       |
| <b>Tah Hsin</b>           | Myanmar   | 0,01 %         | ✓                |         |
| <b>Sunflower</b>          | Italy     | 0,00 %         | Low Risk Country |         |

Figure 4: Suppliers overview; main suppliers (bold) and sub-suppliers (non-bold) (Fiscal year 2019 / 20)

## 3.1 Suppliers in Vietnam

In Vietnam, we obtain products from nine different production sites (see figure 4). We have direct business relationships with six, while the remaining three are sub-suppliers. In 2020 we achieved a monitoring threshold of 100 %, which means that we have conducted full audits at all our direct suppliers and sewing sub-suppliers in Vietnam. In addition, we conducted health and safety checks and explained the Fair Wear membership to factory management.

Most of the findings that were made during audits in Vietnam concern with the labor standards “Health and Safety”, “Appropriate Working Hours” and “Freedom of Association and “Right to Collective Bargaining”.

The sensitive topic “Health and Safety” was identified as one of the major issues within the country. Often, these are relatively “small” findings, which can be solved quickly. On the other hand, these findings are of highest importance as they bear the risk of harming the workers directly. Typical findings are blocked fire evacuation routes, insufficient firefighting equipment, insufficient ergonomic concepts, or insufficient safety equipment such as masks or gloves.

We address these issues right away and demand the problems to be solved by the factory management. To verify the corrective actions, we ask for pictures of the implementation. In the case of findings that cannot be solved immediately, such as inadequate ergonomics concepts, we suggest approaches that we have already been implemented at other suppliers.



## 3.2 Suppliers in China

In China, we have one main supplier that we work with directly. This supplier (Starry) owns a total of seven factories, out of which five produce for us. In the latest fiscal year of 2019/20, we audited their main factory and two of their sub-suppliers.

Despite seeing large improvements with regards to transparency of wages and working hours, we still do not have full insight into this information. Our main supplier in China was not fully transparent about the working hours during the audit in August 2019. They only shared the working hours verbally, which is why wages and working hours could not be finally assessed. Subsequently, we arranged a Skype call with the responsible persons of the factory and once again highlighted the importance of transparency in cooperation to be able to improve things together. As a result, we were assured by the supplier that in future he would better monitor the working hours and share them with us.

Furthermore, we have started a business relationship with two other suppliers in China from which we obtained up-to-date audit reports. However, with these suppliers we do not have direct relationship, but source via an agent.

All in all, our current monitoring threshold for China is at 100 %.

The findings that occurred during our audits largely concerned the labor standards of “Appropriate Working Hours”, “Payment of a Living Wage” and “Safe and Healthy Working Conditions”.

### 3.3 Suppliers in Myanmar

In autumn 2019, we ordered the last time from our supplier in Myanmar. During the planning of a social audit at their facility, we were told that auditors from Fair Wear were not welcome anymore. After several discussions and attempts from our side and Fair Wear local staff to convince them, we unfortunately had to stop working with them.

After ending our business relationship with this supplier, we started a new business relationship with another supplier in the country. The supplier produces jackets and coats for the new apparel collection of our brands pinqponq and AEVOR.

The supplier has maintained a business relationship with another Fair Wear member for several years. Therefore, we were able to get a Fair Wear audit report from September 2018 and after a meeting with the other Fair Wear brand, we decided to do the CAP follow-up together. The focus at this supplier lies on the labor standards “Appropriate Working Hours” and “Safe and Healthy Working Conditions”.

### 3.4 Suppliers in Portugal

During the fiscal year of 2019 / 20 we added another two Portuguese suppliers to our portfolio. One of them produces T-Shirts and sweatshirt for the new apparel collection of our brands AEVOR and pinqponq. The other one produces a special edition for our brand FUNKTION SCHNITT. All in all, we are now working together with five suppliers in Portugal.

Most of them have been visited by staff members during the last year. However, due to COVID-19 restrictions, the CR team was not able to visit them.

As per our research we found that even though Portugal is ranked as a low-risk country, “Payment of a Living Wage” remains the most challenging labor standard for garment factories to comply with.



### 3.5 Suppliers in Italy



In Italy, we work together with three small suppliers for our brand FUNKTION SCHNITT. To comply with the monitoring requirements for low-risk countries, we had planned to visit them during the last fiscal year. Unfortunately, our trips had to be cancelled due to COVID-19 restrictions. Thus, they have neither been audited nor visited by CR staff. However, the designer of the brand has visited all of them during the past three years.

### 3.6 Suppliers in Lithuania



In Lithuania, we only work with one supplier. This supplier is responsible for a part of our FUNKTION SCHNITT collection. There are another two Fair Wear brands sourcing at that very factory. Since they work with many European brands, they have already gone through a lot of audits and also have a SA8000 certificate.

## 4 Complaints handling

As part of the Fair Wear membership member brands must ensure that workers at their employers have the possibility to issue a complaint concerning any kind of violation of a labor standard. For us as a brand this means that we must make sure that all our suppliers hang up a worker information sheet within their factories. This sheet explains the essential rights that workers have and further shows the complaint hotline of Fair Wear.



## 4 Complaints handling

Workers can make anonymous reports via this hotline and relate to a local Fair Wear partner to make a complaint. This complaint will then be checked by Fair Wear and, if admitted, it will be handed over to us.

On our local site visits, we regularly check whether the worker information sheets are hung up and visible to all employees. We also encourage our suppliers to include information on Fair Wear and the complaint hotline during the orientation programs for new employees.

During the past fiscal year, we received two complaint from workers at our suppliers. By now, both complaints could be solved.

One complaint that we received from a worker in a Vietnamese factory was issued due to an unlawful dismissal. The worker had a fight with another worker in front of the gates of the factory. Due to the zero-tolerance policy of the factory regarding violence, they dismissed both workers. However, since the fight was not on factory land, the dismissal was illegal. After a mediation, the workers agreed on a solution together with the factory management that they would be dismissed, but still receive their full compensation as per local regulations.

The other complaint was made at another Vietnamese factory. This complaint concerned many labor standards and aimed at the general working conditions at the factory. Amongst others, the worker complained that the use of personal protective equipment (PPE) was not in line with local regulations and that workers were forced to do overtime. After long conversations with the factory management, we could not verify these accusations to be true. Thus, we agreed with Fair Wear and the factory management on a follow-up visit by Fair Wear staff. During this visit, it was found that most of the allegations were not true. The only part where corrective actions were to be made concerned the use of PPE which was agreed upon by us and the factory.





## 5 Training and capacity building

Another important aspect of our Fair Wear membership is capacity building and training. Communicating with and training of our marketing teams, purchasers and above all our suppliers is one of the basic pillars to improve labor standards.



## 5.1 Activities to inform staff

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

For employees who work directly with our suppliers (product and quality management, design, procurement), there are extra onboarding sessions and the day to day exchange with the CR team is very close in order to keep all participants informed of current topics.

Moreover, the CR team developed a workshop especially for sales staff explaining the approach and cooperation with Fair Wear. Contents are for example the meaning of the Fair Wear Leader status or the Fair Wear audit procedure. This enables our sales force to promote Fair Wear topics to our retailers and customers.





## 5.2 Activities to inform suppliers

At the beginning of our membership, we sent all our suppliers the Fair Wear Code of Labor Practices (CoLP), thus informing them of our Fair Wear membership. Same counts for factories that we started working with after becoming a member. During audits and on-site visits, we regularly check whether they are really hung up.


We have also started to have a special CR-onboarding with our key-suppliers where we inform them about our requirements. During regular supplier visits, we check whether factory management understands our requirements and aspirations and whether the worker information sheet is hung up. Further, we provide them with more exact information on the eight labor standards and the Fair Wear approach.

Due to a lack of language skills, we largely rely on the Fair Wear's workplace education programs (WEP) and other training when communicating with workers.





## 6 Transparency & communication



We announced our membership with the Fair Wear Foundation in December 2016 at the awarding of the Germany Sustainability Award, which we received for the sustainability-oriented management of our supply chain. Latest since the achievement of the Fair Wear Leader status in 2018 we proudly communicate our corporate responsibility efforts through many different channels.

Our seven brands mainly use their websites and social media to inform the public about our sustainability strategy and current achievements, such as the regaining of the Leader status in 2019. Each brand has its own sustainability section on their website, where they for instance describe our cooperation with Fair Wear. Furthermore, the most important information regarding sustainability are summarized directly on the product page. In addition, all brands frequently communicate through their Instagram and Facebook channels with sustainability Q&As.

FOND OF mainly communicates via press releases or the corporate responsibility section of the website. This year is the first year in which we disclose not only our direct suppliers but also all our subcontractors and suppliers of single components such as fabrics, zippers and buckles (so called tier 2 suppliers). Moreover, we professionalized our corporate responsibility report this year which is also available for the public online on our website and as a print version in our partner shops. It was our ambition to design the report in an easily understandable and appealing way to give our customers an insight into our daily work.

This is also the reason why we publish the complaints from our factories that we received over the Fair Wear complaint helpline. We communicate openly on what happens at our factories and how problems can be solved in cooperation with Fair Wear. By communicating things that still need to be improved upon, we thus motivate ourselves to work on the best solutions for workers at our suppliers.

## 7 Stakeholder engagement

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

The country studies provided by Fair Wear are of great assistance in informing our suppliers as well as our employees of potential risks in respective countries. In addition, we gathered information on possible risks through external sources like OECD, ITUC or Textile Exchange. This enables us to have a thorough overview of possible human rights risks in our sourcing countries.



We are happy to receive questions  
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