



SUSTAINABILITY REPORT 2018

Start date of Fair Wear Foundation membership:
Reporting period (financial year):

13th June 2012
01.01.2018 - 31.12.2018

ALBIRO
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www.albiro.com

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1. GREETING BY ROLAND LOOSLI

ALBIRO is a family-owned stock company, existing since more than 190 years, with headquarters in Switzerland.

From the very beginning, the company has always cared for ethically correct business practices and a compliant handling for its employees, according to the core labour standards of the ILO. ALBIRO has implemented its own Code of Conduct to communicate this commitment both internally and externally.

In the past years, ALBIRO has evolved into an internationally operating group, with partners from other countries, with different cultures and mentalities. A transparent and coherent social policy, inside and outside Switzerland, is an important component of our commitment to sustainability and our responsibility towards society.



As our manufacturers are depending on our orders, we are using the full capacities of our most important and closely affiliated factories.

Fair Wear Foundation is an important partner as an organization for the cooperation among different actors in the area of social sustainability. Since June 2012 we are working with Fair Wear Foundation to monitor and to improve working conditions of our suppliers and garment manufacturers.

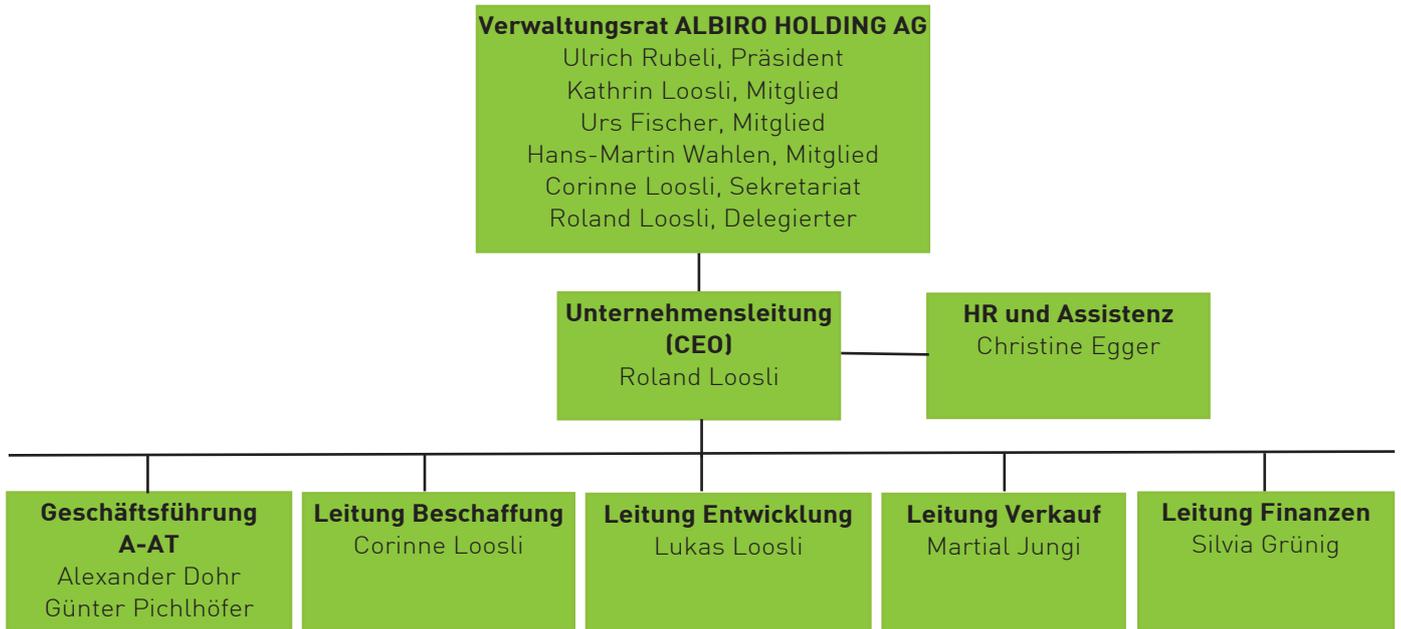
Fair Wear Foundation has an essential role to play in the production processes. With the additional cooperation of the institution amfori BSCI, we have succeeded in assessing the social performance of our supply chain and in ensuring compliance with the eight ILO Core Labour Standards. The most important goal in 2018 was to make the right steps to the living wage with our manufacturers. The continuously improvement of the working conditions and the preservation of the achieved standards are verified with regular internal and external audits.

ALBIRO committed itself to a sustainable and resource-saving business towards society and will continue to pursue this goal in the future.

Roland Loosli / CEO



2. ORGANIGRAM OF THE GROUP MANAGEMENT BOARD 2018



3. COMMITMENTS OF ALBIRO

ALBIRO is attaching great value to responsible corporate policy. Our company will assume responsibility regarding the working conditions to which our products are made, towards our business partners, consumers and society.

That's why ALBIRO has ratified its own Code of Conduct. This code contains a summary of internationally recognised core labour standards that are monitored in all production sites in which our products are manufactured.

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CODE OF CONDUCT

Freiwillige Verpflichtung zur Einhaltung von Sozialstandards in Nähbetrieben

Die ALBIRO Gruppe, bestehend aus der ALBIRO HOLDING AG und ihren Tochtergesellschaften, produziert Arbeits- und Schutzbekleidung in Werken in Osteuropa, Nordafrika und Fernost.

Die von der ALBIRO Gruppe verpflichteten Nähbetriebe werden regelmässig auf die Einhaltung der grundlegenden Sozialstandards gemäss der International Labour Organisation (ILO) überprüft. Die Überprüfung erfolgt durch die Kader der ALBIRO Gruppe und zusätzlich durch Audits unabhängiger Auditoren der FAIR WEAR FOUNDATION und des BSCI (Business Social Compliance Initiative).

Als Mitglied der FAIR WEAR FOUNDATION und des BSCI verpflichtet sich die ALBIRO Gruppe, den Verhaltenskodex von FAIR WEAR / BSCI gemäss den nachstehend aufgeführten Punkten zu beachten:

- Freie Arbeitswahl (keine Zwangsarbeit)
- Keine Diskriminierung am Arbeitsplatz
- Keine Kinderarbeit sowie besonderer Schutz für jugendliche Arbeitnehmerinnen
- Vereinigungsfreiheit und Recht auf Kollektivverhandlungen
- Ein rechtsverbindliches Arbeitsverhältnis
- Angemessene Arbeitszeiten
- Angemessene Bezahlung
- Sichere und gesundheitsverträgliche Arbeitsbedingungen

Der Verwaltungsrat, die Geschäftsleitung und die Kader der ALBIRO Gruppe setzen alles daran, dass die sozialen und ethischen Grundsätze eingehalten werden und alle Produkte den erwähnten Anforderungen entsprechen.

Für die ALBIRO GRUPPE:

ALBIRO HOLDING AG


 Ulrich Rubeli
 Präsident des Verwaltungsrates


 Roland Loosli
 CEO

Sumiswald, 11. Mai 2016





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3. COMMITMENTS OF ALBIRO

ALBIRO is cooperating closely with different international organisations in order to carry on verifications and inspections.



3.1. SOCIAL COMMITMENTS

3.1.1. Fair Wear Foundation

ALBIRO, as the first Swiss workwear company, joined the Fair Wear Foundation already in 2012. Fair Wear Foundation is a non-profit organisation that works with brands, factories, trade unions, NGOs and sometimes governments to verify and improve workplace conditions in the garment industry.

ALBIRO demands outstanding requirements in working conditions in our own and closely affiliated production sites as well as in the suppliers' factories all over the world.

Verification of working conditions by Fair Wear Foundation

Fair Wear Foundation verify the working conditions in our factories with audits. Those audits will be carried out by people who can speak the local language. Some of the workers will be asked to give an interview during the audit.

Companies that are members of Fair Wear Foundation, commit themselves to deal only with sewn products which are manufactured in fair working conditions. That's why Fair Wear Foundation requests that the factories comply with the following **Code of Labour Practices**:



At the last Brand Performance Check in 2018, FWF attested that 93% of ALBIRO's supply chain was monitored. The number of the Asian suppliers decreased again in 2018. ALBIRO was awarded the 'Good' category and is aiming to belong to the „Leader“ category in the near future.

3.1.2. amfori BSCI

Since 2009, ALBIRO is a member of amfori BSCI as well. amfori BSCI is a non-profit organisation who provide companies with a Code of Conduct, based on the core labour standards of the International Labour Organisation (ILO, in order to ensure and monitor the social standards in the production sites worldwide). The service of amfori BSCI come into effect in the countries in which Fair Wear Foundation is not active (such as Morocco).

The below amfori BSCI Code of Conduct set the values and principles, which amfori BSCI members committed themselves to apply in their supply chain.

amfori BSCI Code of Conduct

Our enterprise agrees to respect the following labour principles set out in the amfori BSCI Code of Conduct.

amfori BSCI Principles

 <p>The Rights of Freedom of Association and Collective Bargaining</p> <p style="font-size: x-small;">Our enterprise respects the right of workers to form unions or other kinds of workers' associations and to engage in collective bargaining.</p>	 <p>Ethical business behaviour</p> <p style="font-size: x-small;">Our enterprise does not tolerate any acts of corruption, extortion, embezzlement or bribery.</p>
 <p>Fair remuneration</p> <p style="font-size: x-small;">Our enterprise respects the right of workers to receive fair remuneration.</p>	 <p>No discrimination</p> <p style="font-size: x-small;">Our enterprise provides equal opportunities and does not discriminate against workers.</p>
 <p>Occupational health and safety</p> <p style="font-size: x-small;">Our enterprise ensures a healthy and safe working environment, assessing risk and taking all necessary measures to eliminate or reduce it.</p>	 <p>Decent working hours</p> <p style="font-size: x-small;">Our enterprise observes the law regarding hours of work.</p>
 <p>Special protection for young workers</p> <p style="font-size: x-small;">Our enterprise provides special protection to any workers that are not yet adults.</p>	 <p>No child labour</p> <p style="font-size: x-small;">Our enterprise does not hire any worker below the legal minimum age.</p>
 <p>No bonded labour</p> <p style="font-size: x-small;">Our enterprise does not engage in any form of forced servitude, trafficked or non-voluntary labour.</p>	 <p>No precarious employment</p> <p style="font-size: x-small;">Our enterprise hires workers on the basis of documented contracts according to the law.</p>
 <p>Protection of the environment</p> <p style="font-size: x-small;">Our enterprise takes the necessary measures to avoid environmental degradation.</p>	

amfori BSCI Approach

 <p>Code Observance</p> <p style="font-size: x-small;">Our enterprise is obliged to protect workers' rights as mandated by the law and the amfori BSCI Code.</p>	 <p>Supply Chain Management and Cascade Effect</p> <p style="font-size: x-small;">Our enterprise uses the amfori BSCI Principles to influence other business partners.</p>
 <p>Workers' Involvement and Protection</p> <p style="font-size: x-small;">Our enterprise keeps workers informed about their rights and responsibilities.</p>	 <p>Grievance Mechanism</p> <p style="font-size: x-small;">Our enterprise provides a system to collect complaints and suggestions from employees.</p>

www.amfori.org



3.2. ECOLOGICAL COMMITMENTS

3.2.1. ISO 14001:2015 Certification of environmental management systems

ISO 14001:2015 forms the basis for a systematic orientation on relevant environmental aspects including concerned stakeholders. Such an environmental management system will help to minimise risks and to continuously improve the organisation. Verification that the criteria are satisfied will be gaining for customers, suppliers, partners and for the public. There is an annual audit to ensure that standards are being maintained and a recertification audit after 3 years.

Since 2010, the environmental management of ALBIRO AG is set up and certified according to EN ISO 14001:2015 by the SQS. This is the basis for the continuous improvement process of ALBIRO.



3.2.2. OEKO-TEX Standard 100

Since 2015, the company ALBIRO AG is certified with OEKO-TEX Standard 100X®, that means that all materials used for ALBIRO products are regularly tested and certified without any harmful substances. The compliance of the commitments is audited each year.



Tested for harmful substances.
www.oeko-tex.com/standard100

3.2.3. bluesign® Systempartner

Since 2013, ALBIRO AG is bluesign® Systempartner. The bluesign® System eliminates harmful substances right from the beginning of the manufacturing process through the entire textile supply chain (chemical suppliers, textile and accessories manufacturers), stating the principles and monitoring the implementation standards for an environmentally friendly and safe production. ALBIRO is thereby contributing to the protection of the environment in a sustainable manner.



3.2.4. Other ecological facts

Solar panels have been installed on the building of our headquarters in Sumiswald that provide 100% of our power needs. With our panels we save 50 tonnes of CO2 each year.



Furthermore, the construction has been built according to the Swiss Minergie © ECO standard.



ALBIRO is also with a PET Recycling certified.



3.3. ECONOMICAL COMMITMENTS

3.3.1. ISO 9001:2015 Certification of quality management systems

ISO 9001:2015 is providing the basis for a sustainable and target oriented positioning of enterprises on the markets. Thus, chances and opportunities could be achieved and implemented as well as risks reduced. The demonstrably fulfilled requirements should lead to a development of confidence and a consolidation of image for customers and stakeholders. There is an annual audit to ensure that standards are being maintained and a recertification audit after 3 years.

Since 2010, the quality management system of ALBIRO AG is set up and certified according to ISO 9001:2015 by the SQS. This is the basis for the continuous improvement process of ALBIRO.



3.3.2. Swiss Textiles Federation

ALBIRO is member of the Swiss Textile Federation SWISS TEXTILES since 2016. SWISS TEXTILES aims to offer attractive services and provides for better frameworks among economical and political decision-makers.

SWISS TEXTILES

4. SUMMARY OF THE GOALS & ACHIEVEMENTS 2018

Goals for 2018	Achievements in 2018
Transparent price costing and wage calculation in our own production factories.	Goal partly achieved. However, the concept of transparency is not always understood and accepted by factories with private ownership.
Strict compliance of minimum wages in our own production factories.	Objective achieved. There are still some exceptions made for unqualified workers.
Preparation of new living wages projects in our own production factories.	The new living wage project is still in negotiation and has been postponed to 2019. In the meantime, the previous project with one Macedonian factory has been extended by one year.
Continuous reduction of the numbers of Asian suppliers to increase the volume in our European and Moroccan production sites.	The number of Asian suppliers has been successfully reduced from 8 to 6 in 2018.
Sourcing of additional production sites in Europe in order to increase the capacities to absorb the bigger order volume.	3 new factories in Macedonia, Morocco and Serbia have been approached, but finally they could not meet our requirements. Therefore, the sourcing of new factories will go on in 2019.
Bringing of one of our Macedonian subcontractor to the level of a regular direct supplier.	Objective achieved. The new partnership's agreement has been signed in 2018.
Continuous focus on efficiency improvements of production processes and operational measures, so that a bigger work volume can be mastered during normal working hours.	With the financial support of ALBIRO, different investments in new sewing and specific machines could be made in order to improve the working conditions and increase the productivity.
Better and more intense direct communication between headquarters in Sumiswald and our own production sites in Europe and Morocco.	Objective partly achieved. Our CSR staff did a lot more trips to visit almost all productions sites in 2018, in order to know the factories's management and some workers representatives personally.
ALBIRO is aiming to belong to the Fair Wear Foundation „Leader“ category in the near future.	Goal not achieved in 2018.

5. SOURCING STRATEGY AND SUPPLIERS

5.1. PRICING STRATEGY

ALBIRO has two locations: Switzerland and Austria.

The headquarters in Switzerland develop the strategic procurement and the production guidelines of the ALBIRO group, in close cooperation with the Austrian management. ALBIRO is using high-quality European materials, whenever possible, and is producing the major part of its products in Europe. ALBIRO Austria, with its own team, is implementing the guidelines in the purchasing, production and the quality management. However, this will change as from the year 2019, as ALBIRO Switzerland will undertake its own purchasing and production process. In the future, Switzerland and Austria are separated regarding the purchasing.

ALBIRO has harmonised the price calculation, in order to facilitate the planning of the production partners in a more equitable and transparent way. In the same time, ALBIRO is guaranteeing the payment of wages to the factories in case of a production breakdown.

Our brands in overview:

Brands	Assignment	Production cycle
	Customer-oriented projects in corporate fashion are realised under the ALBIRO brand in the Swiss, Austrian and German markets.	The production quantities are based on individual customers orders. Production fluctuations are possible.
	Solida is sold in trade in Austria and Germany. The stored-items range is designed for the sectors gastronomy and care.	The product life cycle will run for several years. Targeted product developments are ensuring constant workload for production.
	marsum is available in trade in Switzerland. The lean stock collection brings a long-lasting and constant product life cycle and a high continued production volume.	Continuous and easily predictable production orders ensuring the production capacity utilisation and level out the production fluctuations.
	Wikland is sold in retail trade in Switzerland. The high-quality products are held in stock.	Continuous and easily predictable production orders ensuring a regular and constant production capacity in the factories.

5.2. ORGANISATION OF THE SOURCING DEPARTMENT

Group 1 products - Own production

All items for which we buy the materials ourselves, are denominated as own production and belong to group 1 products. The dispatch of the fabrics and accessories held in stock from our warehouse to the factories is allowing a complete setting-up, without any delay. With the help of our advanced ERP-system (SAP), we administrate the material data and the bills of materials as well as the scheduling of production orders.

Our purchasing and production management is planning and arranging the orders, according to the capacities, directly to the respective production sites. The manufacturing will be then processed with the support of our technicians and our quality management team.

Group 2 products - External production

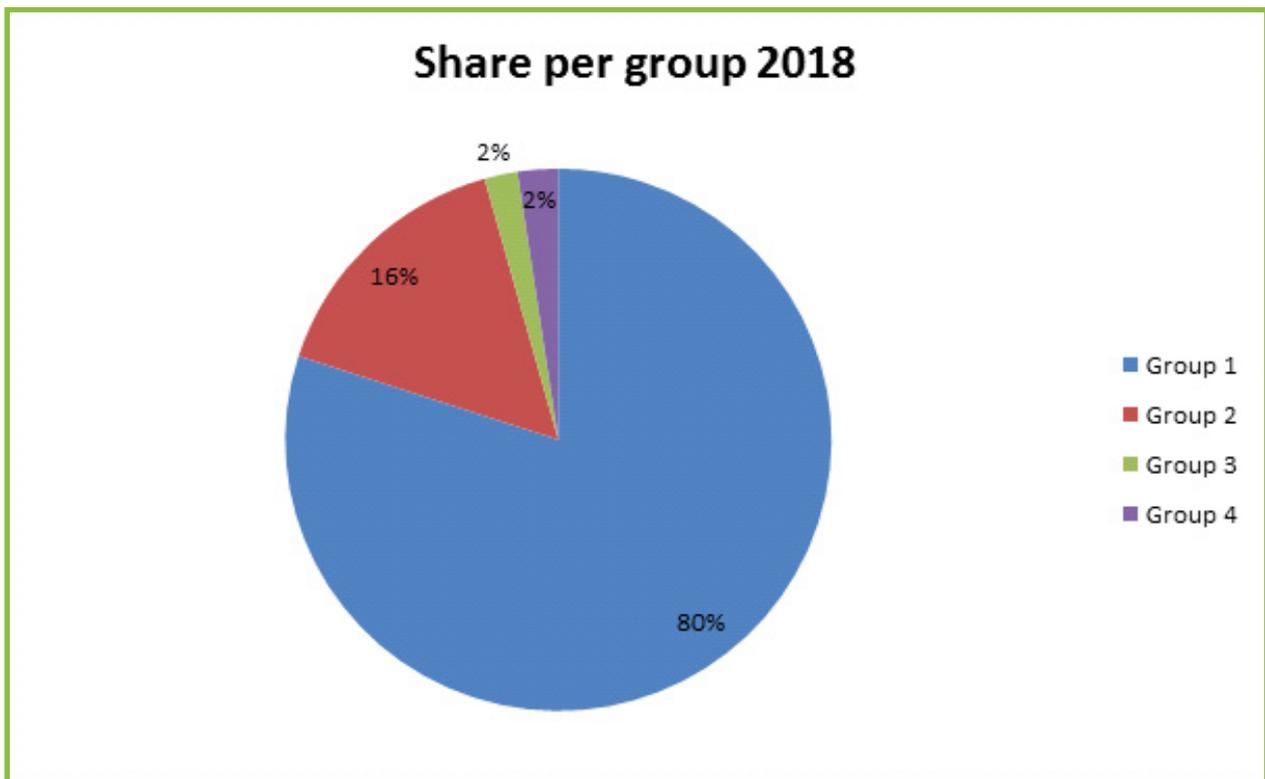
A few products are developed and made for us by long-time external partners in Turkey, Portugal or China. The compliance with the requirements of Fair Wear Foundation, amfori BSCI or OEKO-TEX® Standard 100 is the precondition for the purchase and this will be audited just the same.

Group 3 products - Trade items

These products are a marginal range addition, that we are buying as a service for our customers. They are not labelled with ALBIRO brands but with the brands of the respective external suppliers. The sustainability requirements will be checked once a year as well.

Group 4 products - Support processes, subcontractors including printing, embroidery and washing plant

As from this year 2018, we have implemented all these suppliers in our supply chain in the production countries, and in Switzerland and in Austria as well.



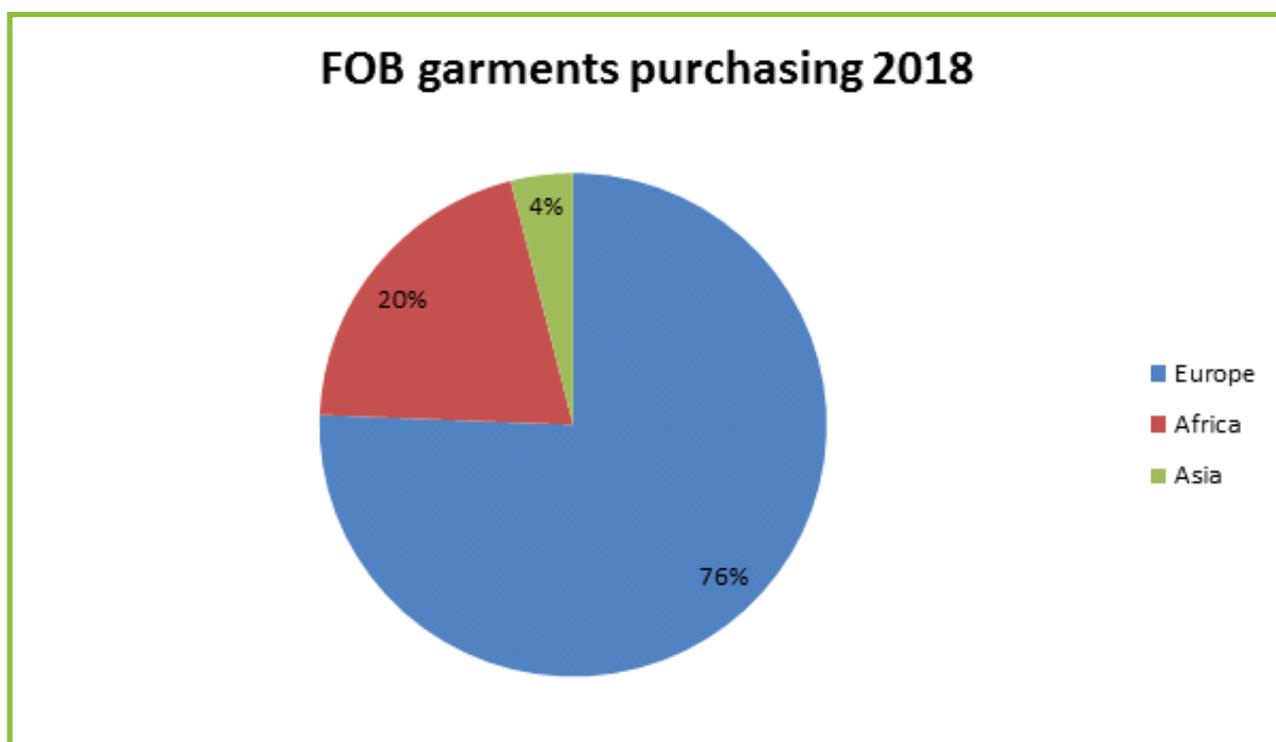
5.3. PRODUCTION CYCLE

Workwear is only marginally influenced by fashionable trends and can be therefore planned and produced without seasonal variations. Big orders in the range of Corporate Fashion in the brand ALBIRO could cause some production fluctuations. Thanks to our financial independence, our modern ERP-system, our long-standing material suppliers and our own or closely affiliated production facilities in Middle Europe, we can eliminate such fluctuations with the brands held in stock marsum, Solida and Wikland by increasing or reducing the stock quantities.

5.4. SUPPLIERS RELATION

ALBIRO is working since many years with the same production partners together. A close and long-standing partnership is helping to implement a consistent sustainability strategy.

Growing capacity needs will be solved in existing factories with additional sewing lines and workers. In that way, we can ensure our high social and quality standards.



5.5. SUPPLIERS MANAGEMENT AND SOURCING DECISIONS

With the support of modern communication tools, ALBIRO is in constant contact with the production facilities. The factories will be visited regularly by ALBIRO employees (technic, quality and sustainability). As a member of Fair Wear Foundation, ALBIRO committed itself to visit all producers at least once a year.

6. SYSTEM FOR MONITORING AND REMEDIATION

ALBIRO's garment suppliers are located in different countries having their own legislation, language and culture. In order to assess the status of factories and suppliers, we count on local skilled experts in social standards. Therefore we task Fair Wear Foundation, or amfori BSCI, or other institutions such as SGS, to carry out the audits and provide a report. Depending on the applied standards, the results will be evaluated and a remediation plan will be established. A timeline for the findings and the corrective actions will be scheduled within a year.

Sometimes, several audits could be carried out in a factory. This could mean that different opinions will be expressed and this should be avoided, if possible. We get a support of each institution for the audits evaluation; the Audit Assessment Tool of Fair Wear Foundation for instance.

No matter which audit has been made, the producer will be assisted in its efforts to improve his working conditions.



Here you find information about our most significant partners producing our own brands ALBIRO, marsum, Wikland and Solida.

6.1. NORTH MACEDONIA



Two of our manufacturers with 100% capacity utilisation are located in North Macedonia (since 2004). ALBIRO has concluded a partnership with both companies many years ago, stipulating that they are exclusively producing for ALBIRO.

Both factories are audited by Fair Wear Foundation and are working hard to find solutions to the problems and to improve the findings of the audits since the past years.

The direct cooperation of ALBIRO with the production locations and with the audit team of Fair Wear Foundation is ensuring the continuous improvement process in Macedonia.

The main factory is certified with ISO 9001:2015 (Quality Management System).

Legal minimum wages must be paid in the textile industry in North Macedonia. As from July 2018, the minimum wage has been raised from 17'130 to 17'370 MKD (approximately 282,00 EUR) gross per month and from 12'009 to 12'165 MKD net per month (approximately 197.50 EUR).

A living wage should be earned in a standard working week (no more than 48 hours) and allow garment workers to be able to buy food for them and their families, pay the rent, pay for healthcare, clothing, transportation and education and have a small amount of savings for when something unexpected happens. The minimum cost of living for a family of four is estimated at 32'233 MKD by the Macedonian Trade Union Federation (SSM). The paid salaries in the factories cannot meet basic living costs. This shows how important the living wage projects are.

There are about 40'000 workers in the textile, clothing, leather and shoe industries in North Macedonia. The situation of textile workers has improved in recent years, but overtime and work on Saturdays are still common. Unfortunately, less and less young people want to work in the garment industry. One of the biggest challenges is to make the job of a sewer more attractive.

Solid education and high-quality trainings, regulated working hours, modern work environment and decent wages are good measures to maintain the profession attractive for workers in the long term. ALBIRO is helping the local management to elaborate some projects and to find some ideas or improvements.

Achievements in 2018:

In 2018 ALBIRO was able to sell various new machines, such as sewing machines, embroidery machines, laser cutters, etc., from the disassembled production in Hungary to the main factory in North Macedonia. This was supported by a loan from ALBIRO. The new machinery has improved the productivity and a greater flexibility. Due to the new embroidery machine, a new department was created. Thanks to the ALBIRO technicians at the factory, it was possible to improve the planning and the processing times.

Due to the gratifyingly high order volume, the factories in North Macedonia had a very high level of capacity utilization. Therefore ALBIRO was looking for additional factories to absorb the extra quantities. In 2018 ALBIRO decided to reactivate the collaboration with another subcontractor.

In 2018, ALBIRO invited the management of the second company to the headquarters in Sumiswald, Switzerland. It was decided then to change the partnership contract from a subcontractor to a new main production. Therefore ALBIRO will produce and communicate directly with this production, which will improve the relationship, transparency and impact. The conversion, with a new factory's name, will take place in 2019. Fortunately, the living wage project could also be carried forward in 2018.



6.2. MOROCCO



In Fez we have a further long-standing and important production partner (since 2008) with 100% capacity utilisation by ALBIRO and with a fantastic constellation in the management. The partnership between the German and the Moroccan main shareholders and our common French language enable us a direct communication in all areas of cooperation.

In Morocco, amfori BSCI is available. The amfori BSCI standard 2.0 is verified with audits conducted by SGS Morocco. Therefore a report will be generated and processed directly between the manufacturer and the auditor through the amfori BSCI platform. ALBIRO is helping to set priorities and is giving support with best practice solutions. Since the first audit in 2011, several issues have been improved. All workers are receiving holiday pay, are properly registered with the national social services providers and the social security contributions as well as the health insurance are fully paid, which is still pretty rare in Morocco.

The minimum wage in Morocco is 13.46 MAD per hour (approx. 1.24 EURO) and the living wage is 13.60 MAD per hour (approx. 1.25 EURO). The Living wage estimation for an adult working full time (48 hours per week or the local maximum regular working hours per week) is calculated by amfori BSCI as follows:

Total family basket (4455.00 MAD * 110%) / 1.83 number of wage earners per family = 2677.87 MAD (approx. 247 EURO).

In cooperation with the Management, several actions have been implemented in order to increase the productivity and also to raise the social standards in the production. Adequate remuneration and social coverage have been ensured. A contracted doctor has been hired and the safety at the workplace has been completely reworked. The working hours are respected and the workers' representative have been elected. Free trainings in reading and writing in French and in Arabic are given by the company to the employees. 80% of the executive managers at MTM are women. Women and men in the same position are getting the same wage. In 2017 the factory has received an award for the promotion of equality between men and women at work, granted by the Moroccan minister of employment.

And last but not least, the company has its own football team!

Newly purchased sewing and special machines provided modern workplaces with better working conditions. This together with the mentioned social measures contributed to a good working environment and to a high level of identification of the workers with the employer.

A milestone was achieved by switching the production planning system from piece planning to minute costing.

Achievements in 2018:

In 2018 ALBIRO invited the management to the headquarters in Sumiswald, Switzerland.

Due to the high order volume, ALBIRO was looking for new ways to increase the production capacity. As a long term business partner, it was a big concern for ALBIRO to push and support existing suppliers, especially such reliable partners as the one in Morocco. This important step was the main topic during the meeting. Beside that, ALBIRO informed the management about the plan to establish a living wage project in Morocco. Since then, the production and ALBIRO worked hand in hand, in a highly transparent way, on the realisation of this project which ALBIRO wants to implement in 2019.



Award received by MTM for engagement in social aerobic



6.3. BOSNIA



ALBIRO works with two producers in Bosnia.

With one producer, ALBIRO is the exclusive partner and is fully using its capacity. The local production manager is a very skilled tailor with long-time work experience. amfori BSCI is helping us to establish and implement the sustainability strategy with SGS Serbia together. The excellent audit rating could be kept all the past years. This is clearly demonstrating how the ALBIRO sustainability strategy is well and exemplarily understood by the employees. Due to short ways in the communication with the local management and with ALBIRO's influence, the specified and set standards can be implemented and fulfilled.

The second producer which works for ALBIRO is a SA8000-certified factory that is producing mainly shirts. Since 2016, ALBIRO is producing workwear there. SA8000 is ensuring our sustainability strategy and is providing an updated handling of the social standards every six months.

Since January 2017, the minimum wage in Bosnia and Herzegovina is 605.48 BAM (approx. 310 EURO gross and 208 EURO net).

Achievements in 2018:

ALBIRO sold machines and equipment such as transport trolleys, scissors, etc. from the dissolved production in Hungary to the main production in Bosnia. This was supported by a loan from ALBIRO. With the expanded machinery, the production capacity could be increased. The constant supervision by ALBIRO technicians has improved the quality and the productivity.

In the other Bosnian factory, the SA8000 certification has been successfully renewed.



6.4. TURKEY

Turkey is a preferred partner for the knitwear manufacture, with its proximity to the countries with cotton plantations. That way, ALBIRO is making the major part of the circular knitgoods with two Turkish producers. Both are audited by Fair Wear Foundation. Fair Wear Foundation and amfori BSCI help us with intensive support on the production facilities in compliance with the current requirements and with the continuous improvements of the working conditions.

Unfortunately, the domestic political situation in Turkey turned out to be instable and tense. Since the attempted putsch on July 2016, some restrictions and particularly intensified security checks may occur. Depending on the development of the political situation, ALBIRO will still continue to fabricate the knitted styles in those factories, but will consider simultaneously further production alternatives in European countries.

The state of emergency declared after the coup attempt of 15 July 2016 was lifted on 18 July 2018. However, security forces continue to have the ability to restrict freedom of movement and assembly and to impose local curfews at short notice. For this reason, ALBIRO is still facing the same problems as in 2017.

A special attention will be paid to the possible employment of illegal Syrian refugees. ALBIRO believes that Syrian refugees are generally not a problem. However, it should be ensured that these people are employed and fairly remunerated under applicable law. Therefore, ALBIRO signed with its two producers a binding partnership contract to regulate the dealing with this situation.

In 2018 ALBIRO was able to increase the piece prices at one of our Turkish suppliers. This is a positive step towards living wage.



6.5. PORTUGAL



Thanks to short distances and a high degree of flexibility, Portugal is an important partner in the garment industry. ALBIRO is working there with a factory making knitted jackets that is certified STeP by OEKO-TEX®. The STeP certification requires a holistic analysis of all relevant company areas for a robust assessment regarding sustainability. The six STeP modules include the management of chemicals, environmental performance, environmental management, health and safety, social responsibility and quality management. OEKO-TEX® carries out intermediate audits (compliance audits) each year to verify compliance with the required criteria after the certificate has been issued.

Portugal, as a EU member, has many governmental constraints, that will be verified regularly.

During the visit of ALBIRO's staff in November 2018, the factory's management re-confirmed that no subcontractor is working for the factory.

6.6. INDIA

In cooperation with a Swiss agent, ALBIRO is manufacturing small quantities of knitwear items in India. India had always a long tradition in the textile production. With an economic growth of 7.5% per year and a population of 1.32 billion people, India is one of the most attractive market for textiles and garments. More than 51 million people are working in this industry, making it the second-largest workforce sector in the country. The Indian government recognized the potential of this market and adopted different measures to develop its growth strategy. The companies can obtain miscellaneous subsidies in order to invest in new machines.

Our Indian producer is audited by amfori BSCI and is visited several times by our agent. In 2018, ALBIRO CSR staff was able to visit the production and the knitting/dyeing company in Tirupur.

As the entire supply chain is GOTS certified, this type of production contributes positively to the environment and to the working conditions. The GOTS certification gives employees a better sense of the environment and of the use of chemicals. On this basis, the company owner tries to improve the general environmental awareness of his employees. This starts with small improvements, such as the refraining from the use of plastic.

Our producer maintains a transparent business policy towards his workers and his customers. During the visits by ALBIRO all documents are disclosed and may be examined.

The employees will be informed at the factory's entrance about their rights and the upcoming training courses. All these points create a mutual trust and respect.



6.7. CHINA

ALBIRO needs to produce only a few items in Asia because of customers' request. That means minor influence on the production due to the few orders. The import and export operations must be processed by an agent. ALBIRO is affiliated with an agency in Shanghai, that is a member of amfori BSCI, in order to get a better impact on the working conditions in the production sites. Together with the local staff, it is possible to get a direct insight into the development of each production, without requiring our own employees to be always on site. As member of amfori BSCI, we are able to look at the audits and the remediation plans on the amfori BSCI platform independently and at any time. amfori BSCI is doing the monitoring of the issues and the planning of re-audits within a year.

The strategical plan to reduce the numerous small suppliers in China within upcoming years, was implemented in 2012 already. At the end of 2018, we worked with only 6 factories instead of 8. The products previously made by these factories have been transferred to our own or exclusive manufacturing facilities in Macedonia, Morocco or Bosnia.

amfori BSCI is also offering trainings with its amfori Academy. Our agent in China is attending these trainings regularly, as it is important to teach the management and the workers of the factories about their rights and obligations.

All active factories have been visited by ALBIRO's CSR staff and agent in 2018, in order to discuss the findings and check the remediation plans.



6.8. SUPPLIERS OF TRADE ITEMS

ALBIRO is providing a complete service to customers, therefore some products are bought from external sources on their behalf, such as formal suits, uniforms, caps, scarves, belts and bags. The long-standing suppliers of these trade items are located in Switzerland or in the European Union (EU) with production in the EU.

For those additional purchases, ALBIRO is also ensuring the sustainability of those products. The sustainability and the respect of the ILO core labour standards have to be checked with a supplier's assessment before the supplier is approved and the order is placed. A close relationship helps to get regular information upon ALBIRO's requirements and to monitor the further development of the suppliers. Generally, the producers have their own code of conduct or they are members of organisations such as FWF or amfori BSCI.

On a regular basis ALBIRO visits its external suppliers to strengthen the collaboration and to help improving the working conditions.

In 2018 ALBIRO visited its long term business partner for formal suits and uniforms in Czechia. The company informed ALBIRO about the lack of skilled workers which mostly results from the proximity to Germany. The people of Eastern Europe are looking for better paid jobs across the border and are willing to take long journeys to get there. To compensate this shortage of skilled workers, the Czech Republic has launched projects to recruit from abroad, mainly from Vietnam. The challenge is to integrate the Vietnamese migrants into society and to ensure that they receive the same rights as the local people.



7. COMPLAINTS

7.1. COMPLAINTS PROCEDURE

Fair Wear Foundation is providing workers in the garment factories the possibility to complain about grievances. This takes place either with a phone call to a FWF's supporter or by email to the head-quarters in Amsterdam. According to our commitment, we have hung out the Fair Wear Foundation Information sheet with the email address for the workers' feedback.

7.2. COMPLAINTS IN 2018

7.2.1. 1st complaint on 17 October 2018

In October 2018, ALBIRO was informed by FWF that a complaint had been received from Macedonia containing the following points:

Three complainants claimed that their received salaries had drastically decreased for the month of September 2018. The complainants working in the factory reported that the wages decreased, and some of the workers received wages that are below the legal minimum wages. After the workers requested an explanation from the owner and General Manager, it was publicly explained to the complainants that the reason for their decreased wages is that they are being punished because they did not vote on the last national referendum for the changes of the name of the country. A national referendum was organised in the country where citizens were invited to vote on whether they agree to change the name of the country from Republic of Macedonia to Republic of North Macedonia. This is a personal matter, voting in a referendum is a human right of every citizen guaranteed by the Macedonian constitution and should not be related to the working conditions of specific workers. The factory manager is politically oriented to the political party currently governing the country.

To discuss and clarify the points with the company's owner and the workers, ALBIRO technicians started, together with FWF, to investigate in this case in the factory on site.

The following was found:

- Since May 2018, a new regulation has taken place in Macedonia, which prescribes the minimum wage of all workers, including auxiliary workers.
- However, this was not implemented by the production. The misconduct was recognized and it was agreed that the auxiliary staff must receive the minimum wage in remaining months.
- The political accusation was discussed but could not be proven.

The field investigation took place on 29th October at the factory premises and included following processes:

- a) Interview with factory management regarding the actual complaint;
- b) Document inspection/ wage lists and supporting documents related to the wages;
- c) On site Interviews with the workers.

Off site worker interviews were organized and conducted via phone on 27th October, prior to factory visit and are considered as relevant source of this investigation.

No discrimination:

Based on the interview with management and interview with workers the political discrimination was not concluded as a reason for payment of wages below the legal minimum wage. From the document inspection it was not concluded that wages in September are lower than the wages paid in August (average wage paid in September is higher than average wage paid in August).

Conclusion: The existence of political discrimination is not concluded based on the available findings.

Living wage:

From the documenting inspection, interviews with workers and interviews with management it was clear evidence that in the factory some of the wages are paid below the legal minimum wage. As for months of September 2018, 29 workers or 14% out of total workers in the factory received wage below legally prescribed minimum wage. In month of August, 37 or 19% of all workers received wage below the legally prescribed minimum wage. And in month of July 26, or 13% of all workers are not paid with legal minimum prescribed wages.

Conclusion: Factory is violating the labour relation law and FWF labour standards in terms of payment of legal minimum wage.

Reasonable working hours:

During the documents inspection it was considered that workers work every Saturday which is 8 hours overtime per week. The overtime working hours are not recorded in the workers' payslips and not paid appropriately.

Conclusion: Factory is violating the labour relation law and FWF labour standards in terms of not correctly paying overtime working hours.

ALBIRO has already taken some steps towards fulfilling the FWF recommended remediation solutions for the confirmed findings:

- Factory needs immediately to start with payment of legal minimum wage in line with the legal requirements. The factory is not allowed to make any deductions of the wages if the worker who works regular number of hours did not achieve the piece rate norm. This way of wage calculation in Macedonia is forbidden since May 2018.
- Overtime working hours (working on Saturdays) need to be recorded and paid accordingly, with premium rate of 135% any time when they occur. Overtime hours during the national holiday need to be paid with premium rate of 150%.
- The workers representative council is not functional and need to be revitalized. The manager needs to enable environment for the workers to select new workers representative and to start setting the communication and grievance system.

7.2.2. 2nd complaint on 19 December 2018

During this investigation, a further complaint was received in December 2018, through FWF help line. The claiming was against the factory management, appealing that the factory management has stepped into organizing workers representatives' elections in the factory and nominating/imposing workers names for representatives. This complaint is reflected as a violation of freedom of association.

The election of workers representative body was not organized recently in the factory. The latest workers election process was made several years ago. Previously established workers representative body is not functional any more. One of the ex-workers representatives' members is not working at the factory any more, one of the members has resigned, the third one delegated another worker as his replacement. At this moment the body is not operational. Workers marked out that the way how actual workers representatives are nominated is not transparent and that the management influenced to have members in the workers representative body close to management.

Findings related to the complaint:

- The investigation showed that the complaint, claiming that management organized workers elections nominating workers representative by himself, is not admissible, as there were no signs of any kind on workers representative's election activities in the last 3 months;
- The investigation revealed that actual workers representatives are not voted/elected by the workers, but they are replacements of the previous representatives (since more than a year ago) and are nominated by the management;
- The actual workers representatives who are not voted/selected by the workers have signed the decision for payment of lower than legally prescribed amount for K-15 (legally prescribed addition/bonus for holiday) for 2018, without consulting the workers.

In February 2019, the ALBIRO CSR staff and the FWF country manager met in Macedonia to discuss and to clear all points, that will be remediated during 2019.

Recommended remediation solutions for the confirmed findings:

- Management should enable environment for the workers to organize themselves and to elect new workers representatives.
- Workers representative have not enough capacity and understanding how to organize and conduct elections, and still have not clear understanding whether they want to establish trade union or workers representative body. To support them in their intentions to be organized, support by FWF country team can be provided in two stages:
 1. FWF to support several workers (volunteers) to conduct short survey among the factory workers as to confirm the workers interest in organizing them self in the trade union (as for confirmation that it is not only initiative of five workers). The survey can be done through short questionnaires referring to the question: "Are you interested in establishing factory trade union?"; "Are you interested in establishing factory workers representamen body?"; and "who would you recommend as representative in both forms?"
If the interest in trade union is confirmed, on the level of more than 50% of the workers, than FWF can support workers in establishing links with the local trade union, and the trade union will support them in the further process.
 2. If there are less than 50% interested in Trade union, only election of the workers representative body should be conducted by the workers on a transparent way, and the body should start operating as internal workers council, with objective to negotiate and participate in improvement of the production and working conditions. FWF can support the voting process as an observer.
- Management together with FWF member need to consider the options how to compensate the rest of the money to the workers for K-15 (legally prescribed addition/bonus for holiday) for 2018. If this amount is not paid retroactively to the workers the factory is violating the legal requirements, because they have not valid documents to support the decision for not paying.
- The progress on situation in the factory should be monitored by brand and action plans on monitoring need to be reported.
- FWF will closely monitor the changes in the situation and has scheduled the verification audit for the first half of 2019.

8. TRAININGS AND CAPACITY BUILDING

8.1. ALBIRO STAFF MEMBERS

All staff members of ALBIRO were informed and trained already in 2012 about the commitments towards FWF and amfori BSCI. New ALBIRO staff go through an introduction program that points out the importance of sustainability in their new working area.

With our company located in Austria, there are also close contacts between the responsible persons in charge for sustainability and for quality management.

In the purchasing also, the sustainability has to be taken into account. The pricing system must enable a regulated wage payment. With careful production planning, the overtime should be avoided and the quality can be improved.

ALBIRO organizes trainings in the companies or in external seminars, depending on the country and with the help of Fair Wear Foundation or amfori Academy, to improve the understanding of measures, for instance about employees representation and collective labour agreement.

Sometimes, there are some production projects requiring that the relevant departments are involved and trained, in order to support the implementation. Necessary financial resources will be taken into consideration in the budget.

8.2. AGENTS AND IMPORTERS

In order to implement and to monitor the improvements in the factories in Asia and in Turkey, we need local agents. Therefore, those will be informed and trained during onsite-visits just like the workers in the factories. Trainings of amfori Academy or a Workplace Education Program from Fair Wear Foundation are available as well.

In the countries in which FWF is not operative, training programs of amfori Academy are expected. The factories and their responsible managers will be informed and invited to take part. These courses are free of charge, but it must be counted as working time.

There is no training in Bosnia. Either the SAI Standard SA8000 is already established, then the certification institute will carry the trainings out, or we inform the management directly during our visits and try to give assistance to the employees representation.

In China, some amfori seminars (Getting started with BSCI - China Workshop, Introduction to Social Management System - China Workshop, Drafting a Remediation Plan - China Workshop, Introduction to Occupational Health and Safety) took place in 2018 in the factories. Our Chinese agent in Shanghai, member of amfori BSCI, is organising the participation of the factories. The attendance can be assigned, advised and approved by ALBIRO as amfori member through the amfori Academy website.

The cooperation with our responsible agents in the improvement of production facilities and their management is an important concern for ALBIRO.

8.3. MANUFACTURERS AND WORKERS

One of the most important tasks for capacity building is to inform the factories management about the available courses of FWF and amfori Academy and how they should be booked and implemented. For this purpose, ALBIRO can now and then contribute financially, however the execution has to be arranged by the factories locally.

In Macedonia, the Workplace Education Program of Fair Wear Foundation is available and a special program to train the workers' representatives is currently elaborated.

There is still no training available in Morocco, therefore we are looking for training options regarding workers' rights and obligations. The voluntary study of reading and writing is already an essential step in the right direction.

8.4. CUSTOMERS

In order to make the customers more aware about sustainability, ALBIRO has decided to train and inform them in a better way. In 2018, this was implemented as part of a retailers-meeting. On the one hand, a presentation was made by ALBIRO on the actions of ALBIRO, and on the other hand, the retailers were given the opportunity to talk about sustainability and to exchange ideas and opinions.



9. INFORMATION MANAGEMENT (MSA)

ALBIRO has got audit reports of the major part of its production facilities, which have to be monitored. During our site visits, they will be discussed and possible measures will be defined. This data is saved in the visit reports. In order to facilitate the overview of such open issues, ALBIRO has purchased a software in which the monitoring and the implementation of the improvements can be followed up consistently.

In doing so, we obtain an increased level of attention from the local management and a better follow-up of the developments in good time. In future, the potential delay of improvements can be recognized and tackled in a constructive dialogue.

In our Management System ALBIRO (MSA), there is a section about the assessment of countries and their basic challenges. On the basis of reports of organisations, such as Fair Wear Foundation for instance, country-specific problems are pointed out again and again. Those have to be discussed with the suppliers, so that its status can be regularly inquired.

The platform of amfori BSCI provides information on the status of audits handling and the amfori Academy shows the available courses for producers. These systems are newly organized and the data of the production facilities are verified by audits at least every two years.

10. MARKETING ACTIVITIES

In the whole internal and especially external ALBIRO's communication, the social commitments of ALBIRO and the sustainability strategy are pointed out. Both organisations Fair Wear Foundation and amfori BSCI are the essential basis. OEKO-TEX® Standard 100 and bluesign® belong also to it.

In addition, the social commitments of ALBIRO will be explained during customers events and commercial fairs and the target groups, resp. the interested persons, will be trained. Our salespersons have the FWF Flyer, the bluesign booklet, etc. in their equipment and present the most important points on every Customer Meeting.



11. FURTHER SOCIAL PROJECTS OF ALBIRO

11.1. ALBIRO FOUNDATION

The ALBIRO FOUNDATION was established in 2012 in Sumiswald. The purpose of the foundation is to support and to promote the science, the culture, the education as well as the humanitarian and development aid in the countries, in which the ALBIRO group is producing garments.

In 2018, we could spend some money for a primary school in Bosnia which used it to renovate their sports room. So the children can play and make sports again, without danger of injuries.



Another project was a shipment of staple foods, soaps and blankets to the poor families living in the backcountry of Morocco. That was actually planned for 2017 already, but the Moroccan government prohibited all projects coming from all foreign aid organizations in that year.



12. GLOSSARY

BSCI New: amfori	Business Compliance Initiative of Foreign Trade Association, Brussels, European Union, with new name amfori
CAP	Corrective Action Plan of Fair Wear Foundation Audit Report
CNV	Christelijk Nationaal Vakverbond – National Federation of Christian Trade Unions in the Netherlands
CoLP	Code of Labour Practice of Fair Wear Foundation
CSR	Corporate Social Responsibility
ERP	Enterprise Resources Program
FTA New: amfori	Foreign Trade Association, Brussels, European Union with new name amfori
FWF	Fair Wear Foundation, Amsterdam
ILO	International Labour Organisation
MSA	Management System of ALBIRO
NGO	Non-governmental organisations
SAI	Social Accountability International Standard SA8000, New York
SAP	Systems, Applications & Products in Data Processing - Software
SGS	Société Générale de Surveillance – Inspection, Verification, Testing and Certification Institute, Geneva, Switzerland
SQS	Swiss Association for Quality Management and Systems ISO 9001 (Quality Management), ISO 14001 (Environment Management), Zollikofen, Switzerland
WEP	Workplace Education Program of Fair Wear Foundation

