
TAKKO SUBMISSION



Clean Clothes Campaign Wage Survey

Response ID:51; Data

1. Login/Password Action

2. Introduction

1. Company name:

Takko Holding GmbH

2. Brands owned by company:

3. Main contact person:

Name: : Inga Schürhörster

Email: : inga.schuerhoerster@takko.de

Contact phone number: : +492504923450

3. The living wage standard

4. 1.1 What is your company's position on payment of the living wage to workers in your supply chain?

Taking responsibility for our corporate actions is an important pillar of company policy. Takko Fashion takes the issues of working conditions and social responsibility very seriously. Adherence to social standards in countries of manufacture is regulated by a strict code of conduct between Takko Fashion and its producers and sub-contractors. With it all producers and suppliers undertake to uphold the principles of fairness, honesty and responsibility in all their business dealings.

We state in our code of conduct:

“Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.”

And:

“Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.”

5. 1.2 Please give the link to the code of conduct which is used when monitoring conditions in your supplier factories. If it isn't publicly available, please upload a copy using the option below.

http://www.takko-fashion.com/en_gb/service/company/sustainability/the-code-of-conduct-for-producers.html

Upload option.

6. 1.3 Does your company agree with the definition of a living wage as given [here](#)?

Yes

No, our definition differs from the definition given.

If no, please provide details of how your definition of a living wage is different and give justification.

As said in 1.1. we agree with the payment of living wages to all workers and bind our suppliers by our code of conduct to paying them.

4. Respect for freedom of association and collective bargaining, a precondition for a living wage

7. 2.1 How has the right to Freedom of Association and Collective Bargaining been clearly communicated to workers in your supplier factories and subcontractors?

The Code of Labour practices and an information sheet for worker (in local language and in English) is displayed in all the supplier factories and subcontractors. We also started trainings to supplier factories employees about Freedom of Association and Collective Bargaining. During our own audits and during the verification audits from the Fair Wear Foundation we talk in on- and offsite interviews about all points of the code of Labour practices. It is an ongoing process that we claim from all supplier factories and control regularly.

Percentage of supplier factories and subcontractors reached by these measures:

0000%

Please supply an example of materials used:

8. 2.2 Do you support or facilitate training for workers to ensure they are aware of their right to freely associate, in conjunction with local independent trade unions or workers' rights organisations? Please supply details:

We participates in the Workplace Education Program organized by Fair Wear Foundation. This is a training program designed and developed with input from local stakeholders (i.g. unions and workers rights organizations) and which results/development are shared yearly in a round table with local stakeholders in China, India, Bangladesh and Turkey. This is a training program targeted at top management, middle management/supervisors, workers in an ongoing process.

The first meeting of this program for Bangladesh was in February 2013. We started with the first top management trainings in March. Today, 21 factories (19%) participate.

In China the introduction-meeting of the program was in march. 6 factories (3%) joined the training so far.

In India the kickoff-meeting was in April. Since that already 16 factories (53%) participate.

Names of local unions or workers rights organisations: : The FWF is in contact with a large number of unions for the garment sector, all with limited strength (around 50). They have also contact with several more active unions, which is a group of more or less 10 unions. Unions are united in several fora. One of them is the BNC, of unions all affiliated to the international textile federation (Industriall).

Percentage of supplier factories reached by these measures: : % Please refer to the answer of 2.2.

9. 2.3 Do you provide training for management of your supplier factories and subcontractors on the right to freedom of association?

Yes, please refer the last question, 2.2.

Training is also given for management of supplier factories on the right of freedom of association.

Percentage of supplier factories and subcontractors reached by these measures:

10. 2.4 Have your supplier factories and subcontractors issued the Right to Organise Guarantee to

workers in any of your production units?

	Country:	Number of suppliers:	Details:
1:			Of course we support the right of self-organization but do not have a direct influence as this theme rests with the factory owner.
2:			
3:			
4:			

Please provide a sample of materials used in specific countries:**11. 2.5 Do you require supplier factories and subcontractors to sign Union Access Agreements? If yes, please supply details.**

Our suppliers contractually commit to respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner. We do not require to sign union access agreements, but advocate our suppliers and subcontractors to do so. We further more recommend them to enter a dialogue with local labour unions. As a matter of course we do respect a country's legal requirements regarding agreements between suppliers and local unions.

Number of supplier factories with agreements:

Please refer to 2.5

Please provide a sample of agreements signed:**12. 2.6 Does your company have an accessible, actionable and safe means by which workers can file and follow up on complaints about violations of freedom of association and collective bargaining rights? How do you monitor that this can be accessed freely by workers?:**

Yes. We have an official complaints procedure from the Fair Wear Foundation.
<http://www.fairwear.org/ul/cms/fck-uploaded/documents/complaints/fwfcomplaintsprocedurejune2009.pdf>
which is established in all the supplier factories and subcontractors. This includes a hotline for complaints and the workers should have free access to a suggestion box. Our supplier compliance auditor and every employee from the purchase department who visit the factory will ensure the factory employees awareness of this procedure.
Additional we have an internal complaints policy.

13. 2.7 Have you done any work to limit the use of short term contracts in your supplier factories and subcontractors?

Please provide details of your policy and its impacts in relevant countries: : Takko Fashion operates with a lead time policy which means that we always try to order long-term. With this order policy we give planning dependability so that the supplier factories and subcontractors normally do not need the use of short term contracts. This is relevant for all countries.

14. 2.8 Is there anything else you would like to tell us about work you have done so far, or work you are planning, to promote the right to freedom of association in your supply chain?

We inform all workers regularly by audits, trainings as well as off- and onside interviews. This process is also part of FWF's verification audits and the Workplace Education program. Furthermore, the FWF teams speaks regularly with the unions and forwards these information as well as information from other stakeholders to us. They publish country studies, too, which we forward for example to our offices.

5. Dialogue and negotiation with labour rights organisations

15. 3.1 Please provide details of any active collaborative work undertaken with independent trade unions or labour rights organisations in your sourcing countries:

We are a member of Fair Wear Foundation. Fair Wear Foundation maintains contact with local stakeholders in 15 production countries, with an extra focus on China, India, Bangladesh and India. Input from stakeholders is used for country studies that can be used by us, input from stakeholders is used in FWF audit reports. FWF meets regularly with stakeholders in both individual meetings as seminars or round tables.

16. 3.2 Have any of your collaborations resulted in unions or bargaining processes starting within your supplier factories?

We just started implementing this process, that will take some time: After every audit we install a corrective action plan together with the factory in which every breach of the rules of our code of conduct is listed and corrective measures are mentioned.

6. 4. Benchmarks for a minimum living wage

17. 4.1 Does your company have internal figures that it uses to benchmark living wages for each sourcing country or region?

Yes

If yes, please provide details of how these were developed and how they are used:

We use the benchmarks of FWF and we follow the living wage calculation of FWF very close. We have started also the following procedure:

During each audit, the auditors integrates in the documentation a wage ladder graph to get an overview. Per country FWF compares wages in factories with local stakeholders estimates of what should be a living wage for a worker. This means that per country there are several benchmarks the wages are compared with. This can be estimates of labour ngo's, the Asia Floor Wage, trade union demand in local negotiations etc. For some countries several regional benchmarks are included in the system. Please refer to <http://wageladder.fairwear.org/>

18. 4.2 Please provide information about the figures you are using to benchmark a living wage in your 3 main production countries or regions.

	Country/region	Living wage benchmark
1.	Please refer to http://wageladder.fairwear.org/	
2.		
3.		

19. 4.3 Please give details of the number of your supplier factories in Asia that are currently paying the Asia Floor Wage.

	Country/region	Number of supplier factories paying Asia Floor Wage
1.	We just changed the process therefore we are not able to give detailed information. This will take some time because for long-term changings we will have to improve the confidence and try to convey the FWF's philosophy.	
2.		
3.		

4.	
5.	

7. Purchasing practices that make living wages possible

20. 5.1 Is your company doing work to limit the use of subcontractors in your supply chain and/or consolidate your supplier factory list? Please provide details:

Yes, we have several internal rules – not only for subcontractors but also for every factory which is going to produce for Takko Fashion. All involved parties were informed that we have a guideline for pre-auditing every factory that is going to produce for Takko Fashion. Additionally all factories including the subcontracting factories have to submit several detailed CSR-documents before placing an order in a factory. Furthermore we have a strict quality policy and quality requirements. As we mentioned in a question before we have a lead time policy and most of the order volume is placed in a long-term. So with these strict requirements and also the big volume it should be very difficult to use any number of subcontractors in a short term during the production. With our requirements we give every party enough time to plan the production correct.

21. 5.2 Does your company operate a policy of buyers favouring supplier factories that consistently meet a high wage standard? How?

Takko Fashion has a number of criteria for choosing the right supplier factories. Those include living wage standards but also product quality and the results of the pre-audits.

22.

23. 5.3 Does your company break down and calculate whether FOB prices per piece are sufficient to allow for compliance with the wage standard your company has set out in its code of conduct?

We control the prices of the products and their breakdown with a cost sheet.

24. 5.4 Does your company operate a policy of buyers favouring supplier factories that support the establishment and functioning of genuine trade unions, and those with collective bargaining agreements?

We only like to work with supplier factories that are willing to implement all labour standards. This is an important part of our audits and their verification through FWF.

25. 5.5 Please provide information about any other work your company has done / is planning to do on improving your purchasing practices, in relation to wages.

We just implemented the wage ladder in our audit reports. We have insight in the labour costs through our cost sheets.

8. Living wage projects

26. Please provide details of any projects here. Please note you can cut and paste long pieces of text into these small boxes if necessary:

	Project 1	Project 2	Project 3	Project 4
Location:				
Number of factories and workers				

involved:				
Living wage benchmark used:				
Partnerships:				
Wage increase achieved:				
Details of process:	<p>Takko Fashion is preparing for a project to work towards payment of living wages at factories based in Bangladesh. We have decided to first assess possibilities to implement improvements in pricing with these suppliers as their factories are also producing for other FWF members: Through a collaborative approach we could strengthen our impact. FWF is supporting initiatives going in this direction and helps in this case by facilitating discussions between the affiliates, and relevant stakeholders. We would like to implement practical steps before making a detailed public statement on this process. Since early 2013 Takko Fashion and some other affiliates entered discussions for a common approach. As an initial step towards collaboration, FWF commissioned prof. Doug Miller to consult management and workers of two factories in Bangladesh on how additional money could be allocated to the workers. In addition local trade unions were consulted. In follow up of the consultation Takko was involved in discussions with FWF and other affiliates sourcing from these factories on how to collaborate on a practical level. At the moment the involved companies are planning trips to Bangladesh to discuss further steps with the suppliers.</p>			

27. Please upload any useful supporting documentation here:

9. New Page

28. 7.1 Have you publicly supported calls from civil society and unions to increase the minimum wage to a living wage standard in your production countries? Have you made this position clear towards governments and employers associations?

By joining FWF and committing to the FWF Code of Labour practices, we have committed to aim for living wages in our supply chain. In appropriate situations FWF and its affiliates communicate the need for higher wages indeed to governments and employers associations. This can be in direct contact, bilateral meetings. Next to that FWF and its affiliates sourcing in Bangladesh issued a letter to the National Wage Board in Bangladesh in 2010 during the negotiations for a new minimum wage.

This year, again a Wage Board is established to revise the minimum wage level, which process is closely followed by FWF.

To support improvements related to fire and building safety FWF and its affiliates sourcing in Bangladesh, issued a letter to the authorities and social partners to support the National Action Plan. This letter was also undersigned with name and logo by Takko Fashion.

29. 7.2 As part of this work, have you issued a public statement assuring country governments that you will not relocate production as a result of minimum wage legislation that ensures a living wage?

You will find a FWF letter from 2010 regarding the wage board. And indeed, as discussions are going on in the wage board, FWF is following closely. (We will send this separately by e-mail)

10. Transparency

30. 8.1 Does your company publish a full public list of supplier factories, and sub contractors, their locations and products?

Transparency is an important element in the FWF methodology. Takko Fashion shares a list with FWF. We do not make this list public as it might be an advantage in competition. But the FWF is a multi-stakeholder initiative to we are permanent in a close contact.

Do you have plans to publish a full list in the future?

31. 8.2 Does your company publish impact reports on projects related to wages?

The projects are in approval status so we are not able to give out any results yet.

11. Collaborative working

32. 9.1 Please provide details of your involvement with any multi-stakeholder initiative projects working to improve wages:

Living wage is one of the core code elements of the code of labour practices of FWF.

“Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period”

- FWF living wage policy - <http://www.fairwear.org/ul/cms/fck-uploaded/documents/policydocs/fwflivingwagepolicynov2010.pdf>

“In order to get insight in the gaps, and educate/raise awareness under staff of affiliate companies FWF developed the Wage Ladder. This tool is now used in each FWF audit report. Access to the tool is open. Several staff members of Takko headquarters and local offices, including also staff that performs audits on behalf of Takko, have a login for the FWF Wage Ladder tool and are using it in audit reports.”

Next to that FWF did some pilot projects to get more insight in the impact on the prices of raising wage to a next benchmark level. Outcomes were shared in a publication”

Climbing the ladder to living wages is a summary of FWF's living wage research in 2011 and 2012.

- Climbing the ladder to living wages - <http://www.fairwear.org/ul/cms/fck-uploaded/documents/policydocs/ClimbingtheLadderReport.pdf>

33. 9.2 Please provide details of any work you have initiated outside an MSI, directly with other companies which has improved wages:

Information on our living wage policy and pilot projects are for example the Wage Ladder, the cost impact calculations and productivity assessments that are shared and discussed with several other MSIs and organizations/institutes to further develop a FWF living wage strategy.

Some of them are: Fair Wage Network, FLA, BSCI, SAI, ETI Norway, ETI UK, FWF German stakeholder meeting, ILO Better Work.

34. Supporting documents:

12. 10. A clear route map for implementing a living wage for all workers

35. 10.1 Has your company developed a strategy for delivering a living wage in your supply chain? Is this a public commitment?

We decided to be part of the living wage project of FWF that already started. Therefore we check their mode and will later on set a timeline for implementing the project. But this will need some more time as we have to find an appropriate way of implementing. Therefore we are not able to give a fixed timeline yet.

36. 10.2 Does this strategy have a time scale? If yes, please state.

Please refer to 10.1

37. 10.3 What consultation have you carried out on this strategy, both within and outside your company?

We are in close approval with FWF and its stakeholders.

38. 10.4 How will you ensure that vulnerable workers, such as homeworkers or migrant workers are also included in efforts to increase wages?

These are aspects that we already discuss within the project to find an appropriate method.

39. 10.5 Is there anything else you would like to tell us about your work on the living wage that hasn't been covered in this survey?

13. Further questions about your supply base

40. 1. What are your main production countries? Please state percentage of total production per country and the number of supplier factories.

	Country	Percentage of production	Number of suppliers
1	China	ca. 60 %	ca. 200 supplier factories
2	Bangladesh	ca. 30 %	ca. 100 supplier factories
3	India	ca. 5 %	ca. 30 supplier factories
4	others	ca. 5 %	ca. 15 supplier factories
5			
6			
7			
8			
9			
10			

41. 2. What kind of trade partners are part of the sourcing structure? Please indicate an approximate % of volume share of your production:

Production at factories owned by your company: : 0%

Orders placed directly to supplier factories: : ca. 50 %

Orders placed through agencies or intermediates: : ca. 50 %

Other: : 0 %

42. If other, please specify.

43. 3. What is the length of time that you have been working with your current suppliers?

	% of suppliers
More than 5 years:	ca. 30 %
2-5 years:	ca. 65 %
Less than 2 years:	ca 5 %

44. 4. How many sites did you use to produce your goods in 2012?

First tier suppliers: : ca. 345

Sub contracted suppliers: : ca. 225

45. 5. How many supplier factories do you trade with where you have a regular production share of more than 25%?

Number of suppliers: : ca. 80 supplier factories

Please list suppliers, country and % of product share at the factory: : Factory_ID (1-79), Factory Country, % of production for FWF affiliate: 1 Indien 25,52% 2 Indien 27,83% 3 Indien 29,56% 4 Indien 29,80% 5 Indien 34,64% 6 Indien 37,37% 7 Indien 40,37% 8 Indien 42,61% 9 Indien 43,09% 10 Indien 52,41% 11 Indien 59,36% 12 Indien 61,24% 13 Indien 74,23% 14 Indien 78,19% 15 Indien 94,92% 16 Indien 97,11% 17 Indien 99,03% 18 Bangladesch 27,04% 19 Bangladesch 27,10% 20 Bangladesch 27,71% 21 Bangladesch 29,90% 22 Bangladesch 30,49% 23 Bangladesch 30,67% 24 Bangladesch 32,34% 25 Bangladesch 34,69% 26 Bangladesch 35,09% 27 Bangladesch 35,66% 28 Bangladesch 36,47% 29 Bangladesch 36,92% 30 Bangladesch 37,35% 31 Bangladesch 45,32% 32 Bangladesch 46,43% 33 Bangladesch 51,62% 34 Bangladesch 53,81% 35 Bangladesch 58,59% 36 Bangladesch 63,68% 37 Bangladesch 69,54% 38 China 25,53% 39 China 25,62% 40 China 25,92% 41 China 27,85% 42 China 28,10% 43 China 28,11% 44 China 28,97% 45 China 30,25% 46 China 32,19% 47 China 33,78% 48 China 35,45% 49 China 36,32% 50 China 37,08% 51 China 38,77% 52 China 38,99% 53 China 39,15% 54 China 39,50% 55 China 40,67% 56 China 43,17% 57 China 44,23% 58 China 44,53% 59 China 47,32% 60 China 52,36% 61 China 52,38% 62 China 53,79% 63 China 57,52% 64 China 59,21% 65 China 59,51% 66 China 60,83% 67 China 62,65% 68 China 63,41% 69 China 65,18% 70 China 65,89% 71 China 67,06% 72 China 69,35% 73 China 71,87% 74 China 72,03% 75 China 73,68% 76 China 79,94% 77 China 83,93% 78 China 92,87% 79 Sri Lanka 34,62%

Response Location

Country:	Germany
Region:	07
City:	Telgte
Postal Code:	
Long & Lat:	Lat: 51.983299, Long:7.7833

Profile: Takko Fashion

Brands: Colours of the world, Flame, Crazy World, Maxi Blue, Chapter, Southern, Crash One, Dognose, Dopodopo

Company position on the living wage:

"We agree with the payment of living wages to all workers and bind our suppliers by our code of conduct to paying them"

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

What we say:

Takko are starting some interesting work to move towards payment of a living wage. They have been given credit for their engagement in the Fair Wear Foundation (FWF) Bangladesh wage project, adopting of Living Wage benchmarks, and engagement in decent trainings.

In more detail:

Has living wage benchmarks? Yes.

Worker empowerment:

Takko say: "The Code of Labour practices and an information sheet for worker (in local language and in English) is displayed in all the supplier factories and subcontractors. We also started trainings to supplier factories employees about Freedom of Association and Collective Bargaining."

Takko work with FWF to deliver a 'Workplace Education Programme' in more than 10% of their suppliers, developed in collaboration with local unions and workers rights organisations. Trainings include accessing factory grievance mechanisms, gender based violence, and management-worker dialogue.

Takko use the FWF complaints mechanism which uses a worker hotline for complaints and access to a suggestion box. Complaints are followed up and resolutions made transparent. ~~It is not clear~~ We are not aware of how well used this system is. But the growing number of complaints shows that the system is going to work.

-

Commitment and practices:

Takko have adopted a wage ladder to monitor progress towards payment of a living wage. This compares wages paid in Asia to minimum wages, regional wage demands, and the Asia Floor Wage. Recently this wage ladder has started to be used actively in audit discussions ~~and wage gaps made clear to factory management.~~ To reveal wage gaps to the factory management.

Takko have also started systematic work with suppliers to improve practices: "After every audit we install a corrective action plan together with the factory in which every breach of the rules of our code of conduct is listed and corrective measures are mentioned."

Collaborative approach:

Takko is a FWF member. Takko didn't mention any union or NGO partnerships in country outside of this membership, or collaborations with other brands.

Strategy:

Takko are preparing to take part in a project to work towards payment of living wages in Bangladesh. This is based on a FWF living wage pilot ~~commissioned with Doug Miller~~ in two factories to see 'how additional money could be allocated to the workers.' Local unions were involved.

Please don't publish any name.

Production overview:

Number of suppliers: ~~Around About~~ 345 first tier ~~suppliers factories~~, and 225 subcontracted ~~suppliers factories~~.

NOT SUPPLIERS!

Main production countries listed as: China 60%, Bangladesh 30%, India 5%, Other 5%.

~~Takko does not publish a public list of where its supplier factories are based. As the numbers are FACTORIES and not SUPPLIERS the last sentence is not right as we stated where our productions are based: 60 % China, 30 % Bangladesh, India 5%, and 5% other.~~

Otherwise the last sentence could be: Takko does not publish a DETAILED public list of where its supplier factories are based.

(For your information: We published this on our website in our social report. For your information, please find the report enclosed)

Comments:

Takko are working towards payment of a living wage in a committed way, but they have some way to go. We are pleased to see that Takko ~~is willing to are-joining~~ the Fair Wear Foundation Bangladesh Wage Project, which as we understand, is working out a payment mechanism to allow brands to 'top up' regular wages, by making a separate regular pay out to workers. We hope that they will engage fully in this work and involve local NGOs and negotiations with union stakeholders.

Takko, unlike many other brands, are benchmarking their wage payments against a scale which includes a real living wage - the Asia Floor Wage - although no information was disclosed as to whether this means anyone is being paid this yet (we suspect not). Without a system or plan in place to bridge the wage gap identified by this ladder, Takko won't get far.

It is also interesting that Takko are working systematically with factories to make ~~collective-~~ corrective action plans, including assessment against the wage ladder. We hope very much that this approach also goes hand in hand with commitment from buyers to address prices.

Much of Takko's submission seemed to focus on work being delivered by the Fair Wear Foundation, which is fine, but it is unclear where Takko are performing well or where the FWF are. Let's hope there are some real results to show sooner or later with wage improvements in Takko's supplier factories to prove it.



SOCIAL REPORT 2012

Everybody wants to look good.

TAKKO
FASHION



1 Foreword

As a company, we take our **social responsibility** seriously and view it as an important part of our corporate policy. Our philosophy is to provide our customers with stylish, quality garments at an affordable price. We want to present the latest trends that have been designed to make our customers happy – and not just by how they look but the responsible way in which they were made.

Maintaining social standards in the countries of production has already been governed for years by a “Code of Conduct” for Takko Fashion’s manufacturers and suppliers, guaranteeing that all of our partners act as fairly, honestly and responsibly as possible in all their business dealings.

In an attempt to fully embrace our company claim, we joined the Fair Wear Foundation in November 2011 – in addition to the measures that had been implemented internally several years before. We are looking to take a joint approach towards fulfilling our social responsibilities; the effort involved viewed as a long-term process of continuous development.

We are convinced that this collaboration with the Fair Wear Foundation is an important step for our company, which will help us anchor our corporate values in all business areas over the long term.

Management at Takko Holding GmbH

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3 Portrait of Takko Fashion

3.1 History of Takko Fashion

1982: Helmut Kohl is elected Chancellor of West Germany, pop singer Nicole takes first place at the Eurovision Song Contest, Italy wins the World Cup and value fashion retailer Takko Fashion, back then known as Modea, opens up just outside Münster.

30 years on, the company has become one of the leading fashion chains with almost 1,800 stores in Germany and the rest of Europe. Boasting the latest styles, presenting a pleasant shopping atmosphere and promising low prices, the company has established itself as a “value fashion retailer”.

A decisive step in the successful development of the company was its decision to expand abroad. By 2000, the first branches had already opened in Austria; further stores opened in the Netherlands and the Czech Republic in 2003. Primarily Central and Eastern Europe developed to become important markets for the company in the years that followed. Today, Takko Fashion is represented with its own stores in Belgium, Slovakia, Hungary, Romania, Poland, Switzerland, Slovenia, Estonia, Croatia, Lithuania, Serbia and Italy.



A further milestone in the history of the company was marked with the relaunch of the store portfolio and the brand launch in 2009: Signalling the new generation of Takko Fashion, the stores were modernised and a new logo developed, one which reflected a contemporary take on modern fashion.

One vision is gradually becoming reality: Takko Fashion as Europe’s “best fashion deal”.

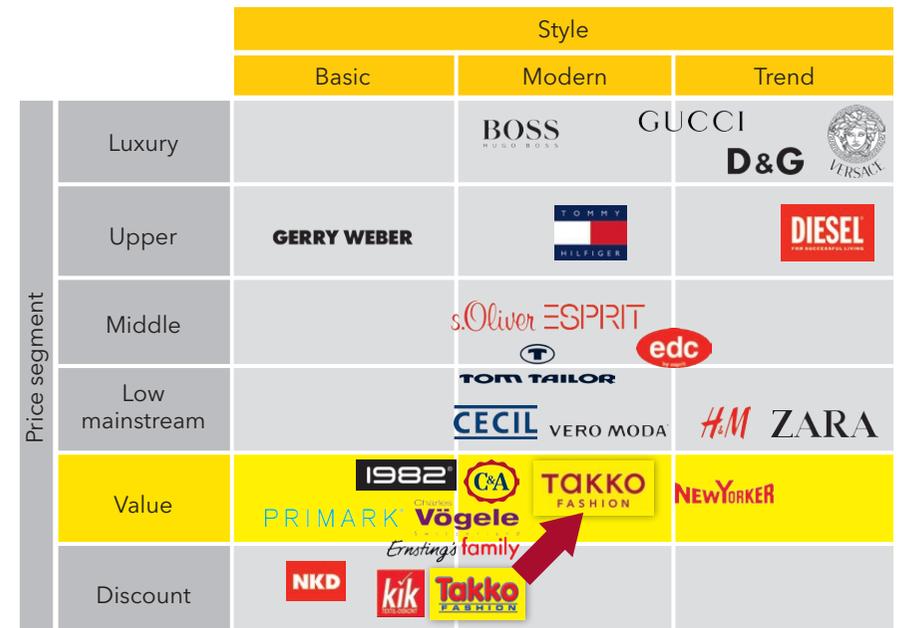
3.2 Positioning of Takko Fashion

The market views Takko Fashion as a family-friendly value fashion retailer, one which not only boasts low prices but also fashionable and on-trend styles, as well as inviting and modern stores.

The main reason for the successful rise of Takko Fashion alongside the leading fashion stores in Europe lies in its ability to recognise market opportunities early on and to implement these to the benefit of the customer. Takko Fashion observes and analyses customer requirements in order to act promptly.

The company has invested a lot of time and effort into entering a number of new markets, continuing to improve the company image through ongoing investment in shop design and the product range.

Simple, unbureaucratic and results-oriented: this sums up Takko Fashion, as well as the past 30 years of its existence. The company has thus managed to adapt and change to the latest requirements, without losing sight of what is important: an enthusiasm for fashion and the customers who wear it.



Positioning of Takko Fashion



4 Corporate responsibility in procurement

4.1 Development

Before the restructuring of procurement

Fashion did not have its own procurement structure when first starting out, but instead collaborated solely with importers. The company decided to take a different direction from 2004 onwards however and to verticalize procurement, as the previous process had not been without difficulty: on the one hand, this approach influenced the economic success of the company, on the other, there was a lack of transparency between the procurement countries, i.e. the manufacturers. Takko Fashion had thus been unable to make any worthwhile impact on this area to date.

Phase of procurement restructuring

2005:

The year 2005 thus represented a new start for Takko Holding GmbH in relation to procurement. The process of the company's verticalization was started, the corresponding structures created and implemented.



2006:

By the end of 2005/start of 2006, 41% of the merchandise was being sourced by the company itself.

2007:

At the start of 2007, the percentage of merchandise being imported by the company was almost 70%. This increase, coupled with the direct responsibility that came with it, called for a rethink when it came to supplier requirements.

Over the course of this measure, Takko Fashion became a member of the Association of Non-Food Importers in 2007 (ANFI). Based on the ANFI code of conduct for suppliers and manufacturers, Takko Fashion developed its own "Code of Conduct".

The code was developed in agreement with the ILO standards.

Central points of the Takko Fashion Code of Conduct include:

- No child labour
- No forced labour
- No punishment or harassment
- No discrimination
- Freedom of association
- Health and safety
- Salary and working hours
- Environmental protection
- Other laws

2008:

At the start of 2008, the company was already importing 90% of its merchandise itself.

The "Code of Conduct" was introduced to the suppliers in India. The first internal auditing teams were also set up during this time. The first factories were checked to see that they met the requirements of the "Code of Conduct".

Measures for implementing the "Code of Conduct" in India were extended to Bangladesh and the first "Social Complaints Audit & Monitoring Manual" was created.

By the end of the 2008/09 business year (end of April 2009), the company was importing 95% of the merchandise itself.

2009:

In 2009, the "Code of Conduct" was finally implemented in China. It was to be monitored in collaboration with the TÜV Rheinland inspection agency and the first TÜV audits took place on site.

After the restructuring of procurement

2010:

Takko Fashion decided to press ahead with the procurement changes in Asia and the corresponding challenges in terms of auditing and monitoring using an external partner.

Investigations were carried out to see which organisations in Europe could offer their services as CSR partner.

The next step was to determine which of these organisations was best suited to Takko Fashion. What resulted from this search was the initial contact with the Fair Wear Foundation.

On 01.10.2011, Takko Fashion finally joined the Fair Wear Foundation.

What did Takko Fashion achieve during its first year of membership with the Fair Wear Foundation?

- Following specific training regarding the Fair Wear Foundation, further improvements were made to the auditing and verification procedures carried out by the Takko Fashion auditing teams in India and Bangladesh.
- Integration of the production facilities into the company's own DP (data management system) was optimised, as was the corresponding interpretability.
- In 2012, a total of 190 audits were carried out at production sites in Bangladesh, India and China (these were also accompanied by follow-up checks in the factories).
- The internal flow of information regarding FWF membership within the Takko Fashion Sourcing department was established and expanded. Information events for new Sourcing employees has become an integral part of the initial training period.

4.2 Claim

What is Takko Fashion still looking to achieve?

The following objectives have been derived from the requirements of the Fair Wear Foundation and Takko Fashion's own procurement standards:

- Takko Fashion will strive to achieve maximum transparency at all the company's production locations.
- Takko Fashion will further expand relations with all suppliers.
- Takko Fashion will gradually improve the working conditions of employees at every single supplier.

- Takko Fashion will further develop the necessary expertise within its own organisation required to optimally support and promote the necessary processes.

4.3 Objectives

Which objectives has Takko Fashion set itself in the medium-term?

- By the end of 2013, the international organisations should be in a position to allow Takko Fashion to professionally carry out the necessary audits without needing any external support.
- By the end of 2014, 90% of the purchased volume should come from factories involved in the auditing process.



5 The search for a partner

Why did Takko Fashion decide to join the Fair Wear Foundation?

In its "Code of Conduct", Takko Fashion undertakes to maintain the highest standard of quality in every aspect of its business and in every part of the world in which it is involved. This includes the ethical and responsible management of all businesses, respecting the rights of all individuals, as well as respecting the environment.

Together with the values adhered to by Takko Fashion, the same responsibility is expected from all manufacturers with whom the company collaborates in terms of maintaining the utmost fairness, honesty and responsibility in all business operations.

In order to ensure these values are maintained, internal audits were carried out before entering the Fair Wear Foundation. Implementation of the Takko Fashion standards in the supplier businesses is an ongoing process.

In order to further optimise monitoring procedures, a strong partner was required, one that could support this aim over the long term.

The search for a suitable partner was based on the following criteria, among others:

Takko Fashion was looking for an independent and credible partner.

The FWF is a multi-stakeholder initiative that meets this requirement.

Takko Fashion is concerned with steadily improving working conditions in the factories over the long term as part of a gradual and continuous process. This process supports our attempts to develop and cement long-term business relations, and it also corresponds with the philosophy of the FWF.

After extensively researching alternative partners and options, the decision was made for FWF (Fair Wear Foundation) on the basis of the reasons already mentioned.





6 What standards have set for our company?

In conjunction with the standards of the International Labour Organization (ILO Standards), Takko Fashion has set the following standards for all manufacturers or suppliers:

1. No forced labour

Employment is voluntary. There is no forced or involuntary labour (e.g. prison labour etc.).

2. No discrimination at the workplace

Hiring processes, salaries, access to basic and advanced training, retirement and any form of industrial relations should be based on the principle of equality and may not be influenced by any of the following: race, skin colour, gender, religion, political affiliation, social background, nationality or disability.

3. No child labour

Children may not be employed. Workers may not be younger than the compulsory school-leaving age and under no circumstances younger than 15 years. There may be no form of slavery or practices similar to slavery, such as the selling of children and child trafficking, bonded labour and servitude, forced or compulsory labour, including the forced or compulsory recruitment of children.

Young people between 15 and 18 may not perform any work which, by its very nature or due to the circumstances, may prove detrimental to their health, safety or morality.

4. Freedom of association and the right to collective bargaining

Manufacturers respect the rights of the employees to meet, organise and collectively negotiate in a legal and peaceful manner. The employees have the right to negotiate terms with the employer as a group. The manufacturer may not punish employees who express their opinion and wishes.

If the right to freedom of association and collective bargaining is legally restricted, the manufacturer may not prevent other forms of collective bargaining or labour organisation. Employee representatives may not be discriminated against and must have access to all workplaces should this be required of them.

5. Secure wages

Wages and allowances for a normal working week must at least correspond to the legal or customary minimum amount and always be sufficient to cover the basic requirements of the workers and their families. The employees must receive a certain disposable income. Deducting from wages as a disciplinary measure is not permitted, nor any deductions that are not justified by national legislation. Deductions may not leave the employee with less money than the legal minimum wage. All employees are to be clearly and comprehensively informed about the wage elements, including wage rate and the period for which the wage will be paid.



6. No excessive working hours

The working hours must comply with the statutory provisions and customary trade standards. The employees may not be expected to regularly work more than 48 hours per week, and they must have at least one day free within a period of 7 days. Overtime must be voluntary, may not exceed 12 hours per week and may not be regularly requested. Employees must always receive an additional overtime payment.

7. Health and safety at work

The working environment must be kept safe and hygienic and maintaining a high standard of health and safety should be encouraged, which takes any specific dangers into account based on current, industry-related information. Due attention should be paid to the industry-specific occupational risks; a safe and hygienic working environment must be ensured. Rules that ensure maximum accident prevention and minimise health risks must be implemented. There must be appropriate access to drinking water and there must be sanitary facilities, fire safety, sufficient lighting and ventilation. Manufacturers are expected to implement the same standard of health and safety in all buildings in which the employees work.

Manufacturers are expected to treat every single employee with dignity and respect. Physical abuse, threats of physical harm, unusual punishments or disciplinary measures, sexual and other types of harassment, as well as intimidation from the employer, are strictly forbidden.

8. A legally binding working relationship

The obligations towards the employees under labour and social legislation and the provisions that result from the regular working relationship may not be circumvented through the use of temporary work or training programmes that do not really cater to the transfer of skills or a regular working relationship. Younger employees must be given the opportunity to participate in basic and advanced training programmes.

Sandblasting is prohibited!

Point 7 "Health and safety at work" in our first "Code of Conduct" also includes a sub-item "No sandblasting". In order to further counteract this health risk, Takko Fashion took the decision at the end of 2012 to implement a "No Sandblasting Policy".

Based on the health risks involved in abrasive sand blasting, Takko Fashion no longer tolerates the use of this method in the supplier chain by agents, production sites and their subcontractors. The business partners of Takko Fashion are not permitted to use any procedure during the bleaching of denim that involves treating the merchandise with sand or similar materials using high pressure. In order to achieve the desired effect, alternative methods that are not hazardous to health must be selected.

7 How is Takko Fashion organised?

Organisational structures

A consistent implementation of the defined objectives and claims is only possible with a structure designed to meet the challenges involved. This is the approach taken by Takko Fashion when it comes to the company's structural organisation.

- Directly responsible for this matter is the Managing Director of Sourcing. It is thus guaranteed the necessary priority.
- In Germany, this area has its own department. Here, all the information is gathered and can be accessed at any time.
- The suppliers are immediately supported by the international organisations. In the Takko Fashion offices in India, Bangladesh and China, independent CSR departments have been set up, which report directly to the respective office management. The latter then reports directly to the Managing Director of Sourcing.
- The CSR employees in the procurement countries are responsible for carrying out the audits and for monitoring any action taken.
- All documents, audit reports and plans of action are consolidated and archived at the headquarters in Germany. The large number of suppliers who collaborate with Takko Fashion means such a decentralised structure is essential.



8 Supplier basis

8.1 Sourcing strategy and structure

How are new production sites chosen?

In order to select new production sites, the Takko Fashion Purchasing department joins forces with local employees to pre-select a number of suppliers before evaluating them. There is a particular emphasis placed on social standards, production skills and capacity, as well as quality and price. Furthermore, the supplier must be able to meet the lead times and delivery deadlines.

Potential new partners and their production sites are informed early on about the membership of Takko Fashion in the Fair Wear Foundation. They must accept the company "Code of Conduct" before any orders can be placed.

Thanks to the Takko Fashion offices on site, the social standards in the factories can be checked before production starts. Furthermore, what are known as "corrective action plans" are worked out together with the local employees and management, used to further improve working conditions in the producing factory.

How is procurement structured?



Where and how does Takko Fashion source its merchandise?

The majority of the order volume from Takko Fashion is directly imported via the central Purchasing department in Friedrichsdorf. A small share is sourced through external partners. The main producing countries for Takko Fashion are China, Bangladesh and India.

Takko Fashion only purchases finished goods. In other words, raw materials, ingredients etc. are not purchased. The cost prices are calculated using the cost sheet system. The deadlines for placing orders with the Takko Fashion suppliers are selected so that they fall in what is known as "low season".



In particular with long- and medium-term orders, the production time is not directly linked with the lead time.

The standard lead time for Takko Fashion orders depends on the product and the style. The majority of the products have a lead time of seven to nine months.

What are the requirements for a collaboration with Takko Fashion?

The basic requirement for a collaboration with Takko Fashion is accepting the membership of Takko Fashion in the Fair Wear Foundation and the commitments that this brings with it. This is an essential element for building a long-term, trusting collaboration between the supplier and Takko Fashion. Refusal to accept this "Code of Conduct" will rule out any collaboration with Takko Fashion.

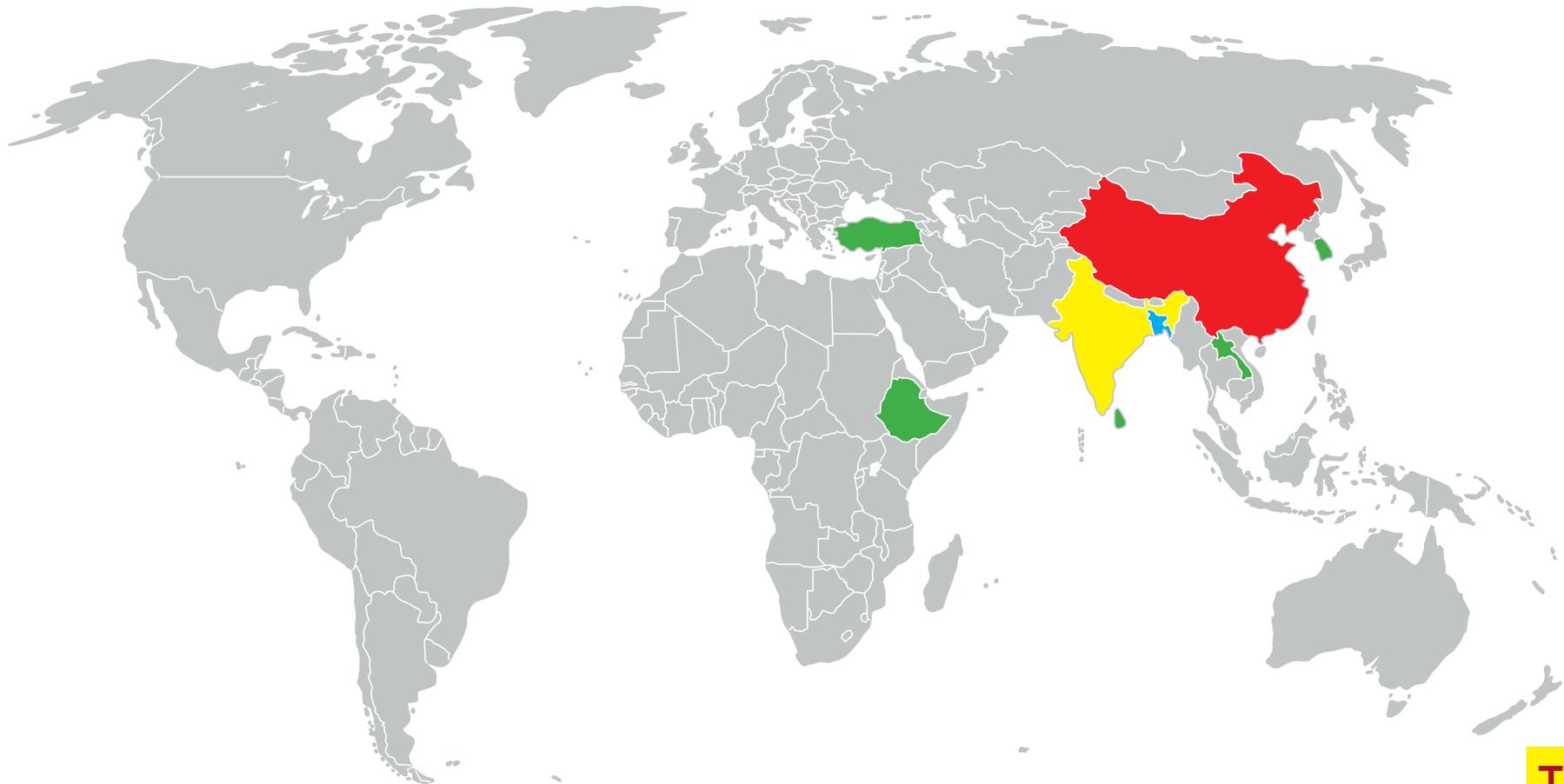
Should any blatant infringement of the company's "Code of Conduct" emerge during an audit or as part of the complaint management, the necessary steps must be immediately taken to rectify this. The cooperation of the supplier is essential here. Should this not be the case, there will be no partnership entered into or any existing partnership will come to an end.

All suppliers from Takko Fashion must implement the continuous improvement process, as well as the catalogue of measures arising from the audits carried out. The local Takko Fashion offices provide the necessary support here.

8.2 International presence

How are the direct Takko Fashion production sites and their subcontractors distributed around the world (in 2012)?

China	174 main factories 118 subcontracted factories	India	33 main factories 20 subcontracted factories
Bangladesh	104 main factories 88 subcontracted factories	Other countries	12 main factories



8.3 Production cycle

What is the production cycle of Takko Fashion?

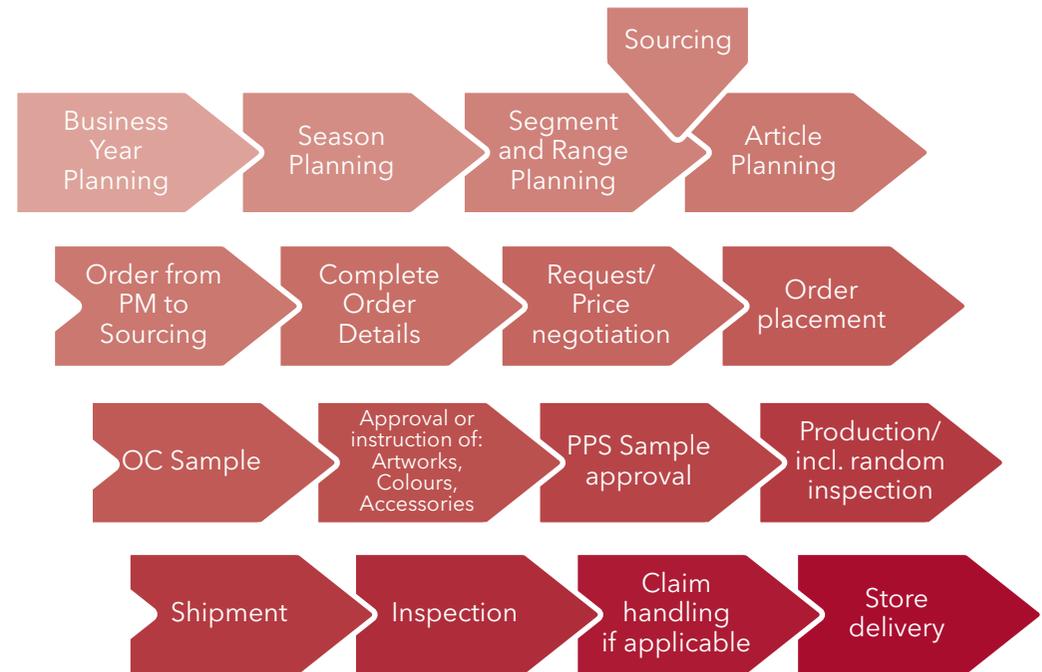
Plenty of preparation goes into ensuring the Takko Fashion customer is kept up-to-date when it comes to the latest trends and fashion highlights. This calls for the expertise of plenty of dedicated employees. The following example should demonstrate the collaboration between the individual departments, from sourcing to store delivery.

The design team from Takko Fashion makes regular trips to the fashion capitals of the world, keeping an eye open for the latest trends that can be transformed into wearable, fashionable clothing for the Takko Fashion customer.

For example, the design for a new T-shirt that is to hit the shelves a few months later originates in the Product Management department at the headquarters in Telgte. The design is then sent to the Purchasing department in Friedrichsdorf in Hessen. Takko Fashion Friedrichsdorf (TKF) manages international purchasing and ensures that high-quality fashion can be manufactured at an affordable price. The company's international offices in India, Bangladesh, Sri Lanka and China coordinate the production of textiles and accessories in the respective countries.

Once the order has been placed, the suppliers selected for the order produce several prototypes of the T-shirt, which are then sent to the Takko Fashion Headquarters. Here, the samples are checked with regard to quality, fit and design, before the Purchasing department approves the order for production.

At the end of the production cycle, the merchandise is delivered to a national or international port in a container ship. From here, the Logistics department manages its distribution to one of the four warehousing locations of Takko Fashion (Telgte, Schnelldorf, Winsen and Senec in Slovakia). From here, the approximately 1,800 branches across Europe are supplied with the latest trends.



9 Auditing and continuous improvement process

9.1 Number of audits/Comparison of order volumes

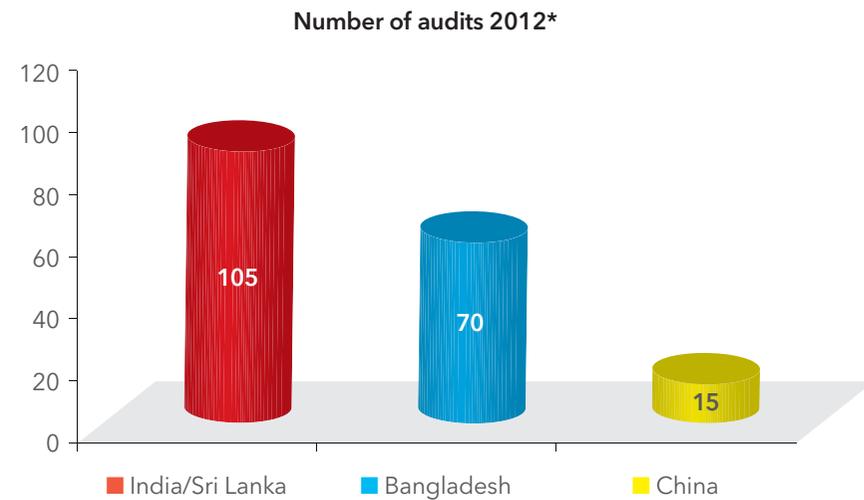
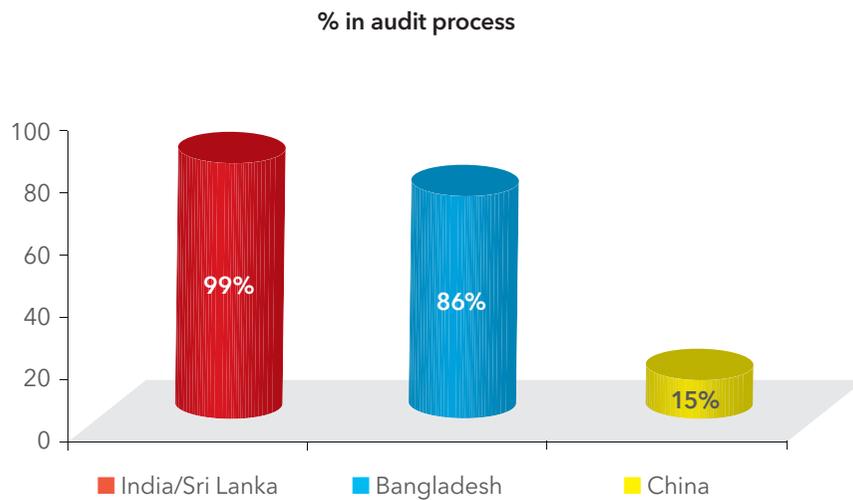
What audits were carried out by Takko Fashion in 2012?

Based on the volume of orders in the individual countries (company imports only) in 2012, particularly in India and Bangladesh, a large share of the merchandise was sourced from production sites already involved in the auditing process:

Audits are not only carried out at the production sites to document the necessary improvements.

The Takko Fashion auditing teams in India and Bangladesh, as well as employees from the TÜV inspection agency in China, regularly support the factory management and offer assistance in the implementation of measures that lead to an improvement of social standards.

In 2012, a total of 190 audits were carried out:



* including initial and follow-up audits

9.2 Audit findings

By analysing the audit results, the local Takko Fashion auditing teams can highlight specific ways in which to support the production sites and focus on improving social standards.

All conclusions drawn in conjunction with the labour standards determined by the Fair Wear Foundation are followed up for the fundamental improvement of social standards.

The audits highlight, in particular, the potential for improvement when it comes to occupational safety. Here, factory management needs to be made more aware of the appropriate precautions. Because even measures such as keeping escape routes free from obstruction or first-aid training can lead to a long-term improvement of occupational safety!

In 2012, the Takko Fashion auditing team carried out "Health & Safety Audits", unannounced, for the first time in India and Bangladesh - particularly focusing on the fire protection measures in place.

Takko Fashion firmly believes that these audits have made a significant contribution towards improving fire protection, above all raising awareness of the issue and regarding its prevention as part of "Health and Safety".



10 Training and capacity-building

10.1 Employee information

How are the employees of Takko Fashion informed about the membership with the Fair Wear Foundation and the corresponding social standards?

Background information and important information about membership with the Fair Wear Foundation is shared with all members of Takko Holding GmbH using various company media such as the company homepage, the employee magazine or internal training.

Furthermore, over the course of last year, all employees of Takko Fashion in Friedrichsdorf received detailed information about the foundation membership, the auditing processes and the associated social responsibility.

The briefing of new employees has become an integral part of the initial training period, which every employee goes through once the contract has been signed.

The Takko Fashion international offices in India and Bangladesh, who have their own auditing teams, received comprehensive training in the Fair Wear Foundation in 2012. Clear improvements were thus made to the quality of auditing processes, coming as near to the Fair Wear Foundation standards as possible.



10.2 Supplier information

How are suppliers and agents informed about the activities concerning the Fair Wear Foundation membership and the improvement of social standards in the producing operations?

Existing business partners have been informed about the membership with the Fair Wear Foundation and the future implementation of the company's "Code of Conduct" by letter. If a new business relationship has been established, the theme of social standards is an integral part of contract negotiations.



10.3 Information at the production sites and for the factory workers

How are manufacturers and their workers informed about the Fair Wear Foundation membership and the company's social standards?

The relevant information is passed on to the employees at the production sites in their native language via the Takko Fashion auditing teams.

The Fair Wear Foundation lends its support here. Notices written in the language of the country are displayed in the factories, outlining the Takko Fashion "Code of Conduct" and the principles of the Fair Wear Foundation.

This is also regularly checked by our auditing teams during visits to our buyers.



11 Complaint management

The case of prison labour in China

In November 2012, Takko Fashion discovered that one of its suppliers had outsourced an order to a Chinese prison, a clear violation of the contractual agreements. The use of prisoners in the production of the merchandise is strictly prohibited by the company's "Code of Conduct". This code of conduct must be signed by all contractual partners of Takko Fashion.

A Code of Conduct had been signed by the supplier and by its subsidiary, who had sent the order for production to the prison. Both the supplier and the subsidiary had thus been expressly prohibited from carrying out orders that contravened the company's code of conduct and had thus reneged on the agreement.

Over the course of the investigation, the supplier confirmed that it knew what was going on, however had not informed its employer Takko Fashion about the situation as it had already closed the subsidiary in October 2012 due to internal irregularities. Unrelated to this, Takko Fashion had already cut ties with the subsidiary in September 2012 due to its general unreliability.

The issue was dealt with and further action determined together with the Fair Wear Foundation. This particular example highlights an important focus of Takko Fashion and the FWF, namely the coming together of company and supplier to work out the steps required for a sustainable improvement of working conditions. This was also the reason why Takko Fashion decided to initially maintain business relations with the main supplier in question

and further strengthen the relationship through targeted measures.

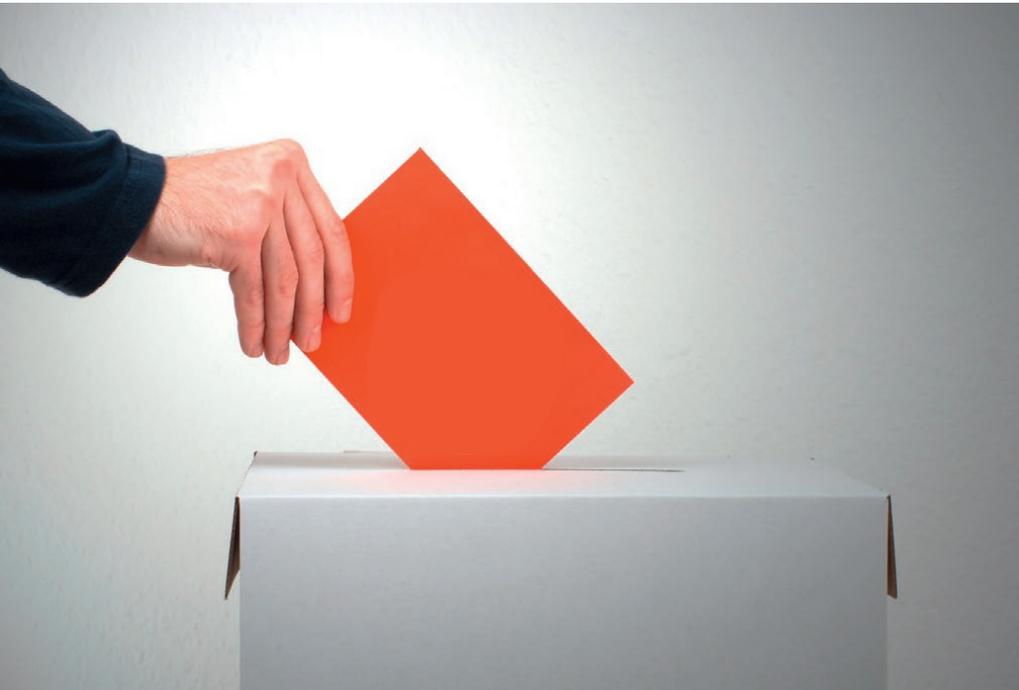
Complaint management represents a central element of the Fair Wear Foundation philosophy.

Employees at the production sites wishing to make complaints can reach Takko Fashion in a number of ways:

- Employees can approach the Takko Fashion office on site directly.
- Employees can call the complaint hotline of the Fair Wear Foundation. Corresponding notices are displayed in the factories in the native language.
- An independent third party, such as a human rights body, may approach Takko Fashion in order to draw its attention to any grievances.

In each of the cases mentioned above, the complaint is followed up promptly. This is done in close cooperation with the Takko Fashion auditing team and the local offices who also speak the national language.

In 2012, Takko Fashion received a complaint via the Fair Wear Foundation. The complaint was made by a former employee of a Chinese factory, which also produced clothing for Takko Fashion. There was immediate contact between Takko Fashion in Friedrichsdorf, the Fair Wear Foundation, the office in Xiamen and the factory management.



The Fair Wear Foundation carried out a complete audit at the factory in question, investigating more than just the specific complaint.

A comprehensive catalogue of measures was finally drawn up. The production site is working continuously on addressing all shortcomings.

Since then, there have been quite a few achievements at the factory. Communication between the factory management regarding internal complaint mechanisms and the workers was further strengthened. The right to freedom of association was made more transparent for the employees. Further improvements were made to the consistent documentation of working hours and wages. Overtime was reduced. With regard to occupational safety, small measures with a big impact were introduced at short notice after the audit (e.g. illumination of the emergency exits, provision of safety goggles). Employees were provided with information on the correct posture at the workplace to relieve strain. They were also provided with comprehensive information about their insurance options (e.g. pension, healthcare, unemployment insurance), with 20% more people taking up such an offer.

Reforming the wage structure, in particular with piecework, is not something that can be done overnight. However, this factory is set to reap the rewards in this respect over the course of 2013 also.

12 Other social commitments

Social commitment is an integral part of the company philosophy of Takko Fashion. It was this understanding that led to the foundation of the "Takko hilft e.V." ("Takko helps") association in 2004. The employees of Takko Holding GmbH volunteer for this charitable and independent initiative, with the aim of providing facilities and institutions, in particular for children and young people, with direct and uncomplicated support.

The "Takko 4 Schools" Initiative

Education is the key element for a secure future - this was the thinking behind the opening of a kindergarten and primary school at the Indian production site in Tirupur in June 2008. With this initial project, the foundation stone had been laid for the initiative "Takko 4 Schools", which has long been the focus of "Takko hilft e.V."

The aim is to support schools and school-related projects with direct and uncomplicated donations - at all locations around the world in which Takko Fashion is currently active. Giving children from socially disadvantaged families the chance at an education, and thus a more positive future.

Support for charitable projects for children and young people

Toys for the day care centre, a new swing for the playground - "Takko hilft e.V." is happy to help when it comes to providing facilities and institutions for children and young people with quick and uncomplicated support.

The association has set aside an annual budget for donations here, used to support small regional projects. The Management



Board checks every donation request and decides on a case-by-case basis whether the project corresponds to the objectives of "Takko hilft e.V.". This means that a number of regional requests can be adequately met each year.

Larger social project that encourage children and young people are also supported by the association through single donations or long-term commitment.

Emergency aid in the event of catastrophe

"Takko hilft e.V." is quick to provide assistance in the event of catastrophe, to support people who require emergency aid following environmental or natural disasters. Depending on the situation in question, the association donates either equipment or funds, making sure those affected receive the help they really need.