



Waschbär

Social Report 2022



Fair Wear Foundation Membership 2022



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For Waschbär GmbH, social standards are an important part of who we are, since we create products for a sustainable lifestyle. We are proud that we, together with the Fair Wear Foundation, are taking an active part in monitoring and improving working conditions worldwide.

Katharina Hupfer, CEO of the Waschbär GmbH



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Chapter 1

Introduction



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1. Introduction

A year of multiple crises

Unwanted climate change records in the form of heat and drought, a still-ongoing pandemic, advanced extinction of species, a global trading system becoming more fragile with rising prices and supply shortages, and the beginning of the war against Ukraine 2022 showed us conclusively that we are living in an age of multiple crises and that we must learn to deal with them, not only globally, nationally and personally but also in a business sense. How challenging this is can also be seen in the increased social and political tension in the struggle for the necessary transformation and the increase in mental health problems as resilience of people is being put to the test by the constant need to be in crisis mode.

The last year was particularly overshadowed by the war against Ukraine. This war also affects Waschbär in several aspects. Beginning on an individual level. In our team, which consists of people from many countries, there are relationships with Ukraine and Russia. We also have a particular connection to the city of Lviv, in the west of Ukraine. Lviv is not only the partner city of Freiburg, our company location. We also have been manufacturing textiles in Lviv for many years, and are continuing to do so in spite of the war. Since the Russian attacks began, we have been in close contact with our partners. Continuing and agreeing on our work together makes it possible for the people working in the sewing factory to maintain a little normality despite the war, and to make a living. We are also noticing the economic effects of the war. A high rate of inflation and increased energy costs led to significant consumer reticence across the market in 2022. Waschbär recorded a decline in sales of approximately 20 per cent and, as a result, needed to reduce its purchase volumes from its suppliers, including many suppliers of textiles.

The crises experienced in the past year have once again shown how important it is to build and maintain long-term partnerships based on trust. This plays a significant part in being able to master the challenges of our time, whether as the partner who can offer support or as the partner requiring support. We experienced both in 2022 and are grateful to be able to continue treading this path together with important partners such as the Fair Wear Foundation for example.

“The Year 2022 was again overshadowed by the many crises. But it also showed us how important our work is.

We made great progress in our data management in the past years.

This enabled us to make decisions with more agility and certainty and to be better prepared for the future.”

Jonas from the sustainability team

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1. Introduction

A sense of purpose instead of profit maximisation

Since the end of 2017, Waschbär has been a company in steward ownership, meaning it virtually belongs to itself. The steward-owners of Waschbär are owners-in-trust and are not permitted to sell or bequest the company. The profits we make remain in the company and are reinvested for the company's further development. Another aspect which remains in the company is responsibility. Decisions are made not by external investors or distant owners who have nothing to do with the day-to-day business, but always by people who work in the company. This form of ownership makes it possible for us to not work for the largest possible profits for investors or owners, but instead to pursue the actual purpose of our company on a long-term basis. Our goal is to shape the economy sustainably, in accordance with nature, our fellow humans and the environment, and to make a good life possible for everyone in the supply chain. We implement the concept of steward ownership together with the Purpose Foundation, which ensures that we comply with their principles.

Economic situation at Waschbär

The conflict in the Ukraine is also affecting Germany, causing a high inflation rate and rising energy costs for example. As a consequence, Waschbär is experiencing a twenty per cent reduction of sales in 2022. In November 2022, 40 staff members had to be released on the base of a social plan. Apart from that Waschbär had to install several measures in order to keep the company save. Unfortunately, this affected also the textile suppliers Waschbär is working with. In order to react to the reduction of sales, Waschbär needed to reduce the quantities of orders.

To perform those reductions in a responsible way, Waschbär informed each supplier beforehand. Waschbär asked the suppliers to either split the orders, shift the delivery dates or cancel orders. The different measures were discussed and only performed if it was possible for the supplier. If not, it was searched for other solutions. Unfortunately, this period of reduction and decrease is not over yet and therefore Waschbär still needs to carefully select the sourced products and orders.

“Our resources are finite – even the sustainable ones. Legal requirements are essential for targeting the “Textilwende”. An ambitious package of measures for durable, reusable, repairable and recyclable textiles has been drawn up by the EU. If these measures are being put into concrete terms, it actually could make a big difference.”

Theresa from the sustainability team

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Chapter 2

Sustainability at Waschbär



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2. Sustainability at Waschbär

Waschbär GmbH originated as an Eco-Business. The company started with products to reduce the ecological impact on the environment and this is still the basic philosophy when sourcing its products.

Waschbär uses only energy from renewable sources at all their offices and is carbon neutral (certified through Soil & More Impacts). To compensate its CO2 emissions Waschbär launched, together with Soil & More Impacts, its own compost project with its silk supplier in China.

This compost project takes place at the Farmside, where the organic mulberry plants are grown. The mulberry leaves are the food for the silk worms and therefore an important part for the supply chain of the silk. The compensation is always calculated per year.

Within the calculation, Waschbär includes its consumption of electricity, gas, oil and water, the shipping of catalogues and goods to our customers, employee business trips, as well as the commuting to the office. Waschbär is also ISO14000 certified.

Further on, the company is tackling the complexity and compliance of the textile value chains down to raw material through extensive documentation of data and performing lab tests. To make sure all suppliers working with Waschbär are on the same level of being responsible for sustainability, each supplier receives the requirements of textiles, where it is clearly stated, what the ecological and social requirements are at Waschbär. Further on, those documents are also including that Waschbär is a Fair Wear Foundation and Partnership for Sustainable Textiles member and which requirements are coming along with this for the suppliers.

Additionally, Waschbär works with an article pass. The article pass is the central product information query from Waschbär. There is an article pass for every textile product from Waschbär. All product properties of a product are queried that relate to material, quality, production and care, as well as any certifications (Global Organic Textile Standard (GOTS), Responsible Wool Standard (RWS), etc.). The article pass is the base for the entire monitoring of sustainability at the product level. On top of this Waschbär is certified according to the Global Organic Textile Standard.

Not only does the environmental impact matter within textile production, but also the improvement of social working conditions. That is the reason why Waschbär joined the Fair Wear Foundation in 2011. The Fair Wear Foundation is an independent multistakeholder initiative that works with brands, garment workers and industry influencers to improve the



Silk supplier in China



Mulberry plants and silk worms

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2. Sustainability at Waschbär

labour conditions in the garment industry. The Fair Wear Code of Labour Practice, which the Fair Wear Foundation acts upon, contains eight labour standards that are based on the conventions of the International Labour Organization (ILO) and the Universal Declaration on Human Rights.

The eight labour standards are:

- Employment is freely chosen
- There is no discrimination in employment
- No exploitation of child labour
- Freedom of association and the right to collective bargaining
- Payment of a living wage
- No excessive working hours
- Safe and healthy working conditions
- Legally binding employment relationship

The membership supports and encourages Waschbär to actively pursue further improvements in terms of social sustainability. It enables further transparency and traceability in the supply chain by conducting, for example, audits and trainings in the production countries.

The sustainability department at Waschbär is responsible for both the social standards (including the cooperation with the Fair Wear Foundation), and the environmental standards (compliance with the Waschbär exclusive ecological specifications and the GOTS certification). Sustainability is a core element for Waschbär; the sustainability department has the right to veto any business relationship with suppliers.

Transparency, responsible sourcing together with a strong commitment to quality and social responsibility are key processes of the supply chain of Waschbär.

“Waschbaer believes that each individual can become active and be part of the change: In our department we make sure that we fulfil the trust and deserve the loyalty of our customers in the eco-social standards of our products. Based on our requirements, monitoring and assessments we managed to improve again in 2022.”

Simone from the sustainability team:

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2. Sustainability at Waschbär

For the ongoing relationship between Waschbär and the suppliers an annual supplier evaluation (more information can be found on [page 16](#)) takes place, which is the base for discussions with partners and further cooperation.

Code of Conduct

Waschbär has a Code of Conduct. The company is making sure that all employees, suppliers and all stakeholders are aware of it. The code of conduct and all policies and standards are assessed and further evolved through regular dialogues and evaluations.

An addition to the Code of Conduct is the Responsible Business Code of Conduct (RBC). This document lays down what Waschbär is doing especially in terms of sustainability in the textile category. The Responsible Business Code of Conduct is aligned with and goes beyond the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector from 2018. The modules of the guidance help companies in the textile industry to avoid and address the potential negative impacts of their activities in their supply chains and include risk factors, definitions, considerations as well as possible actions for the company and the supply chain partners. On top of the eight labour standards, the OECD Guidance focuses additionally on hazardous chemicals, water, greenhouse gas emissions, bribery and corruption and responsible sourcing from homeworkers, sexual harassment and sexual and gender-based violence in the workplace.



Isabel, Theresa, Simone and Jonas from the Waschbär sustainability team.

“Starting in 2022 as social sustainability coordinator was challenging, due to the circumstances the world is facing right now. Nevertheless, it is therefore even more important to have social responsibility as a brand and being responsible for the people along the supply chain.”
Isabel from the sustainability team

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Internal and external communication

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3. Internal and external communication

All Waschbär staff-members are informed about the Fair Wear Foundation membership and our engagement in ecological product sustainability via the Intranet. All staff members involved in product/supplier monitoring activities are trained in workshops about the Fair Wear Foundation, the Code of Labour Practices and the ecological requirements. Reports within sales meetings continuously inform about the social and ecological performance of suppliers. In addition, every season employees at Waschbär are informed on the latest collections and their specifics. Employees are also regularly informed about Waschbärs own ecological and social performance via webcasts or trainings.

In 2022 additional internal workshops from the sustainability department took place. Focus of the workshops was the risk analysis, which was carefully conducted going down to each part of the textile supply chain. The sustainability department informed each department separately about the risk analysis in a direct dialogue. More detailed information about the risk analysis can be found on [page 18](#). Since it was an open dialogue format, all attendees were able to ask questions and get to know the work of the sustainability department and beyond.

An external communication highlight was the OECD talk. The panel was all about the importance of manufacturers having a unified voice and how this may contribute towards greater accountability and a joint and balanced ownership of due diligence responsibilities between buyer and supplier. Waschbär had an active part at this panel and was answering the questions on how important it is for brands that manufacturers should collaborate and present a united approach on responsible purchasing practices.

In 2022 internal workshops from the sustainability department focused on risk analysis, looking at each link in the textile supply chain - while the OECD talk highlighted the importance of manufacturers having a unified voice.

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3. Internal and external communication

Communication towards customers

Waschbär is clearly communicating its sustainability approaches and guidelines towards the customers. The membership at Fair Wear Foundation and Partnership for Sustainable Textiles is highlighted at the online shop, online magazine, catalogues and on social media. The Social Report and the Brand Performance Check result is public on the website of Waschbär and Fair Wear Foundation.

Communication towards agents

Working with agents is a common practice within the garment industry in many countries. An agent is responsible for the clear communication between production facilities and brand. Agents jointly work with Waschbär on the implementation of the Fair Wear Code of Labour Practices. Audits are planned together and reports are jointly worked on.

Communication towards manufacturers and workers

In order to inform workers about labour standards and the process of monitoring and remediation, an information sheet must be displayed in the factories. Waschbär sends copies of the information sheet in the relevant language to all the factories with the request to make it public for workers. The information sheet informs the workers not only about social standards but also about their possibilities to complain about problems with working conditions and lists contact details. Waschbär makes sure that the information sheet is posted at all the supplying factories and is handed out to the workers during audits. Waschbär encourages the suppliers to become a member of the Fair Wear Foundation. Waschbär also started the dialogue with representatives of the workers council of the companies, by introducing themselves and explaining the representatives the sustainability principles of Waschbär.

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Pricing



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4. Pricing

Retail prices support a sound and sustainable economy within Waschbär. They are not defined to achieve maximum profit and maximum growth. All purchase prices are negotiated cooperatively with the suppliers and the suppliers are chosen based on their expertise and product qualifications. The purchasing price is never the only criterium for the selection of products. Instead, important selection criteria are social working conditions, ecological production, efficient production machinery, lead times, product quality, long lasting and cooperative partnerships.

No pricing pressure is exerted on suppliers. Apart from that, there is no strategical increase of the margin. The margin is only partly considered within the supplier rating, but never downgrades a supplier in such a way that the supplier gets less orders. The buyers do not get commission for well-negotiated margins. Country studies with information on legal minimum wages and living wages are available for all buyers. New suppliers of Waschbär are not facing monetary penalties, in case of late deliveries within the first period of co-operation.

Only if late deliveries occur and it becomes apparent after a clear evaluation, that the primary issue lies with the suppliers, full or partial cost coverage from the supplier is needed. This is the case, when especially Waschbär has a loss of income due to the delay and it should be seen as partnership agreement between both parties.

Waschbär's retail prices are based on sustainable principles - considering factors like social conditions, ecological production and product quality. We maintain cooperative partnerships with suppliers, avoiding pricing pressure and penalties for new suppliers with initial delivery delays.

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Monitoring activities and sourcing decisions

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5. Monitoring activities and sourcing decisions

Supplier evaluation

Waschbär evaluates its suppliers annually under certain aspects of performance, delivery time and sustainability. Based on these results Waschbär decides upon the amount of orders for the upcoming periods. This rating of suppliers is based on five topics, which are: Innovation, Trust, Quality, Economics and Service. Each department in contact with suppliers evaluates their relevant topic (e.g. Sustainability/Trust) and sub topics with an individual rating system. Altogether this results in an overall rating for each supplier.

Innovation	Trust	Quality	Economics	Service
Progress Material Expertise Reliability	Social aspects Ecological aspects Communication	Return rate Fit Quality of Garment	Price Performance Order Quantities Approach	Meeting deadlines Invoice New articles

Production cycle

Waschbär offers new collections for its brand at least twice a year. The product range is promoted through the online shop and print catalogues. Waschbär is always planning ahead and the suppliers are receiving the new orders within a lead time of three months. For already established products, Waschbär plans long term. This allows the suppliers to buy the yarns and fabrics well in advance. The materials are bought by the suppliers in the name of Waschbär and therefore a clear contract between both parties is signed. In case the fabric is not used up with the booked orders, the left-over fabric belongs to Waschbär. In some cases, Waschbär even prefinances the fabrics. Waschbär knows the peak times within the factories and avoids pressure towards the production speed. With its Chinese supplier, Waschbär is planning for example even one year ahead. For the year 2023 a new planning tool is worked on, which will allow Waschbär to plan the orders even better and more in advance.

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Risk based analysis



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6. Risk based analysis

In 2021 Waschbär analysed all production processes which are part of the textile supply chain at Waschbär according to human and environmental risks. In total the whole textile supply chain for Waschbär stretches over 44 countries and Waschbär examined all the potential risks of this countries. Based on that Waschbär identified goals and activities to improve the supply chain within the next two years. This project was not only taken on by the sustainability department, its impact and responsibilities stretched across many different departments and staff throughout Waschbär. The main goals and actions range from living wages and the complaint mechanism in deeper supply chain to the use of recycled cotton – to only name a few main topics.

In 2022 it was all about getting started with the identified goals. One achievement was, that Waschbär eliminated the use of cotton from China. To secure this, all suppliers of Waschbär signed an agreement to do not use Chinese cotton anymore.

This consequence was based on the current situation in China concerning the population group Uighur Muslims. In recent years China started to erase the cultural and linguistic heritage of Uighur Muslims. Most of the cotton from China comes from the province Xinjiang and might be harvested and processed under forced labour and critical labour standards. It was important for Waschbär not to risk supporting forced labour and stop the usage of Chinese cotton.

Further on, Waschbär made steps in terms of open costing and calculation of living wages. For more information please refer to the chapter Living Wages in this report.

The public part of the risk analysis can be found at:

<https://texpert.textilbuendnis.com/member-report/3mrMjVgroZ>

Waschbär analyzed its textile supply chain across 44 countries in 2021, identifying goals and actions to improve various aspects.

In 2022, we successfully eliminated the use of Chinese cotton by having all suppliers sign an agreement to refrain from using it, due to concerns about forced labour and critical labour standards.

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Audits



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7. Audits

Audits are external examinations by a third party to examine to what extent the required standards, in this case the core standards of the Fair Wear Foundation, are complied with and where there may be room for improvement. In addition to the onsite visit, the auditors conduct anonymous worker interviews outside the factory facilities to verify the findings from the onsite visit.

Audits are learning experiences, which gives the suppliers valuable information on how they can improve their working conditions. Waschbär, as the business partner, sees its role as an advisor and partner, who at the same time monitors improvements.

The year 2021 was very intensive when it came to audits. Waschbär conducted in total sixteen audits, which were mostly at the end of the year. This was the case, because it was not possible to conduct audits the two previous years due to Covid.

Normally, a factory is audited every three years. Corona and the restrictions stopped this audit rhythm, because it was not possible to travel or to plan an audit in advance. Therefore, a lot of audits got stuck in the process and were conducted in the middle or at the end of 2021.

Due to the high numbers auf audits in 2021, most of the corrective action plans (CAPS) were worked on in the year 2022. Those corrective action plans are used as a controlling instrument between Waschbär and the supplier. It is a list that specifies the outcomes of an audit and lists all corrective actions with deadlines which need to be closed up during those three years. In order to improve those points Waschbär and the suppliers are working together.

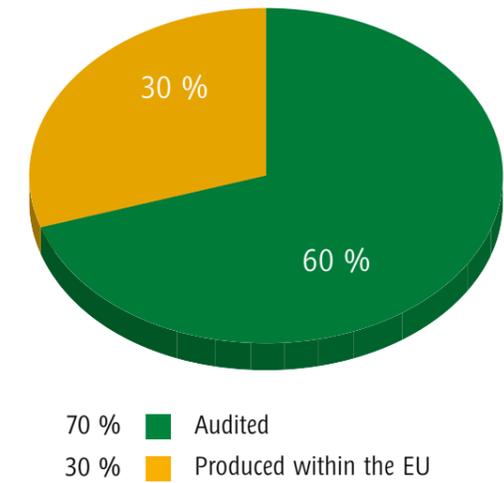
In the year 2022 Waschbär conducted four more audits and one training. All of the audits took place at factories that produces the Waschbär private label.

The figure shows, that Waschbär audited all its suppliers within the last three years. In case the suppliers were not audited, the suppliers are located within the EU and were not classified as risky.

Waschbär Audits in 2022

Since Waschbär is analysing all its production processes which are part of the textile supply chain according to human and environmental risks, specific country risks can be identified. Based on those identified country risks, special focus lies on the main risks while conducting audits and trainings.

**Social performance of suppliers
2022 Waschbär Brand
(as % of purchasing volume)**



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7. Audits

Romania

4,8% of Waschbär own label production is currently done in Romania at two production facilities. Those two facilities belong to one supplier and produce garments for Waschbär since 2018. At those facilities, audits took place in 2022.

Country Research Romania

When having a look at the risks Romania is facing in the textile sector, the following topics become apparent:

Labour law reform in Romania has diminished employees' freedom of association and restricted the right to form unions. Because of these law reforms, collective agreement is an exception and most of the collective bargaining is now mainly happening at the enterprise level.

Apart from that, living wage is a quite crucial topic in Romania. The paid wages in the textile industry are not enough for a decent living standard most of the times.

Union leaders claim that employees are often required to work more than the legal maximum number of hours and the compensation for overtime required by law is not always paid. When it comes to corruption, corruption is a serious problem in Romania and can be a problematic factor for doing business.

Romania Corrective Action Plan

The Corrective Action Plans resulting from the audits and having the risk factors for Romania in mind, shows that the main labour standards where deficiencies need improvement are: Collective bargaining and Living Wages.

In order to work on further improvements Waschbär and two other brands are in constant exchange of information with the supplier and a training, dealing with collective bargaining, is planned for the year 2023 in Romania.

The good practice findings of the audits were: There were no areas of improvement identified in terms of member sourcing, member monitoring and factory management system. There was no issue on freedom of association observed during the audit, there was no instance of discrimination, there was no instance observed concerning working hours and overtime.



Cutting area at production facility in Romania

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7. Audits

North Macedonia

Garments constitute an important part of Macedonia's exports. 13,7% of Waschbär own label production is currently done in North Macedonia at two production facilities. Those two production facilities belong to one supplier and produce garments for Waschbär since 2017. At one facility an audit took place in 2022.

Country Research North Macedonia

When having a look at the risks North Macedonia is facing in the textile sector, the following points become apparent:

There is little awareness on freedom of association and the number of members in unions from the textile sector is decreasing. Apart from that, overtime and excessive working hours are a problematic topic in the textile sector in North Macedonia. Further on, corruption and inefficient bureaucracy are among the challenges companies may face when doing business in North Macedonia. The minimum wage in North Macedonia does not cover the living wage and is therefore a crucial risk factor.

North Macedonia Corrective Action Plan

The Corrective Action Plan resulting from the audit and having the risk factors for North Macedonia in mind shows that the main labour standards where deficiencies need improvement are: Collective bargaining and Living Wages.

When it comes to Collective bargaining and Living Wages Waschbär, the supplier and another Fair Wear Foundation brand is working closely together to achieve improvements.

The good practice findings of the audits were: Improvements in the management system, update of fire evacuation routes, regular electrical safety inspections and appropriate storage of chemicals.



Spinning mill in North Macedonia

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7. Audits

Bosnia and Herzegovina

17% of Waschbär own label production is currently done in Bosnia and Herzegovina at one production site. The leverage of Waschbär at this factory is 45%. Waschbär has a very long-lasting relationship with this production site for 21 years now. In 2022 one audit took place at this production site.

Country Research Bosnia and Herzegovina

When having a look at the risks Bosnia and Herzegovina is facing in the textile sector, the following topics become apparent:

The government and/or companies are engaged in serious efforts to crush the collective voice of workers putting fundamental rights under continuous threat.

Wage levels in the textile sector are below a living wage. The tax system in Bosnia even prevents wage increases above a certain level. Because of that unofficially paid wages, which decrease social contributions are happening. Short term contracts can be renewed for a period of two years and are often not turned into permanent contracts.

Bosnia and Herzegovina Corrective Action Plan

The Corrective Action Plan resulting from the audit and having the risk factors for Bosnia and Herzegovina in mind shows that the main labour standards where deficiencies need improvement are: Workers Awareness on certain rights and procedures and Living Wages.

During the audit, it became evident that the workers require additional information about the complaint's procedures and workers' rights. Therefore Waschbär, together with the factory, is planning a training for the year 2023 which should inform the workers about their rights.

The good practice findings of the audits were: The factory does not have any problems concerning working hours and over time. Apart from that no form of discrimination became evident.



Sewing units at production facility in Bosnia and Herzegovina

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7. Audits

Trainings

Trainings are workshops for factories to raise awareness and to inform workers as well as the management about Social Labour Standards. It offers a preparation for conducting an audit and aims to help build awareness of labour practices in general, effective communication and grievance mechanism between workers and the management. In 2022 Waschbär, together with another Fair Wear Foundation Member conducted one Workplace Education Programme (WEP) training in Turkey.

Turkey

Turkey is an important supplier of textiles for Waschbär and for Germany in general. In 2022 18,7% of Waschbär own label production was done in Turkey, spread over three suppliers. The training took place at one facility in Merkezefendi. The leverage of Waschbär at the factory is very low with 4%, but it is a very long-term cooperation since 2002.

Country Research Turkey

When having a look at the risks Turkey is facing in the textile sector, the following topics become apparent: Turkey is one of the world's most difficult countries for workers concerning trade union rights.

The minimum wage in Turkey does not cover the living wage. It reaches only 75% of the living wage of a single person. According to research of the Fair Wear Foundation half of the textile factories in Turkey face a problem of excessive overtime. Because of many Syrian emigrants in the country, a close look on working conditions, especially for them, became necessary in the last years.

Turkey Training Outcome

The outcome resulting from the training and having the risk factors for Turkey in mind shows that the main topics where improvements are needed are: Internal communication and Living wages.

The good practice findings of the training were: Overtime is almost non-existent and the training took place in an interactive and friendly atmosphere.



Facility in Merkezefendi, Turkey

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Chapter 8

Production locations



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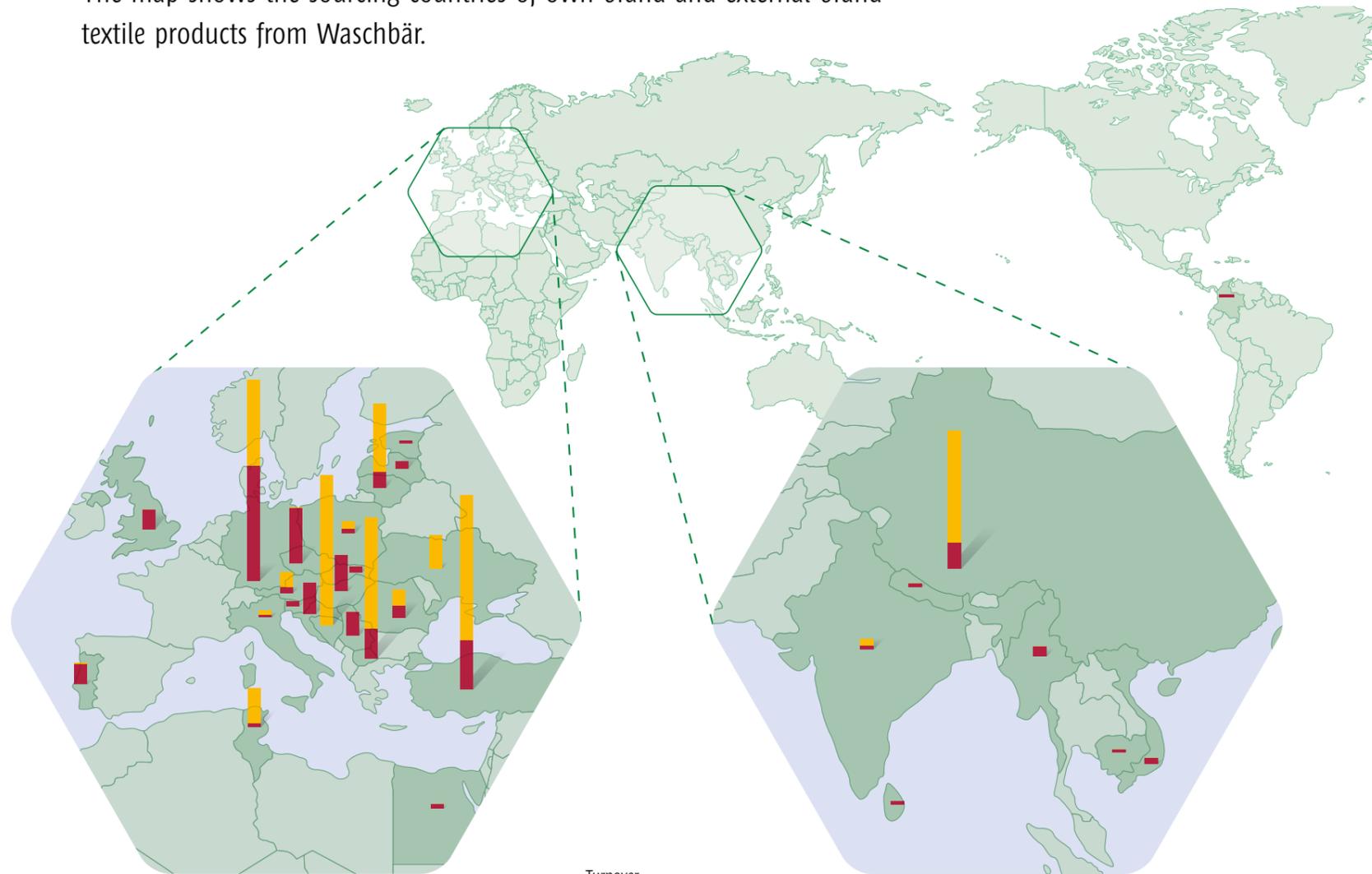
8. Production locations

Waschbär is sourcing own brand textiles from 16 different countries.

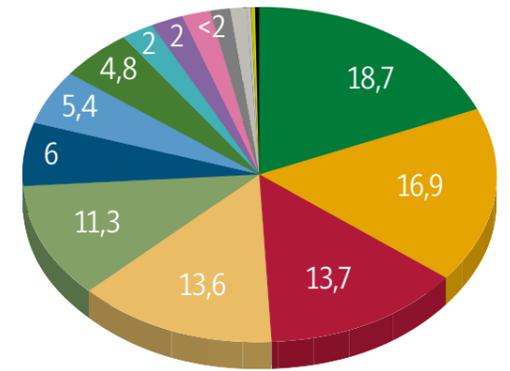
The pie chart right shows the purchasing volume per country of the own brand textile production. It can be seen, that Turkey is the main producer with 18,7%, followed by Bosnia and Herzegovina with 16,9%.

Sourcing countries for Waschbär products

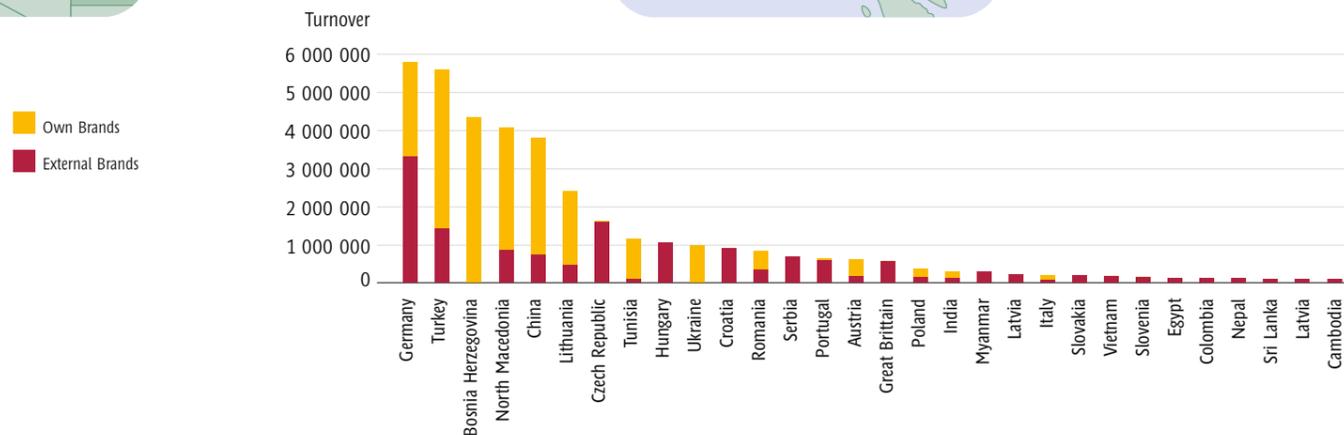
The map shows the sourcing countries of own brand and external brand textile products from Waschbär.



Purchasing volume for own textile production 2022 in %



- 18,7 % Turkey
- 16,9 % Bosnia-Herzegovina
- 13,7 % North Macedonia
- 13,6 % Lithuania
- 11,3 % Germany
- 6,0 % Ukraine
- 5,4 % China
- 4,8 % Romania
- 2,4 % Spain
- 2,1 % Tunisia
- 1,9 % India
- 1,6 % Austria
- 0,9 % Italy
- 0,4 % Poland
- 0,3 % Portugal
- 0,1 % Slovakia



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Chapter 9

Supplier Management



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9. Supplier Management

Onboarding suppliers

New suppliers are selected according to a defined onboarding process by the supplier management. Before Waschbär starts working with a new factory, Waschbär closely examines the potential factory to find out if the values and the approach towards sustainability match and if the technical requirements from the quality department and the requirements from the purchasing department are met. This process involves talks, documents and includes also a visit at the production site from a member of the Waschbär staff before starting the business relationship.

During this visit, a first Health and Safety Check is done on site. It is a Check on one of the eight labour standards of the Fair Wear Foundation and makes sure a safe and hygienic working environment is provided.

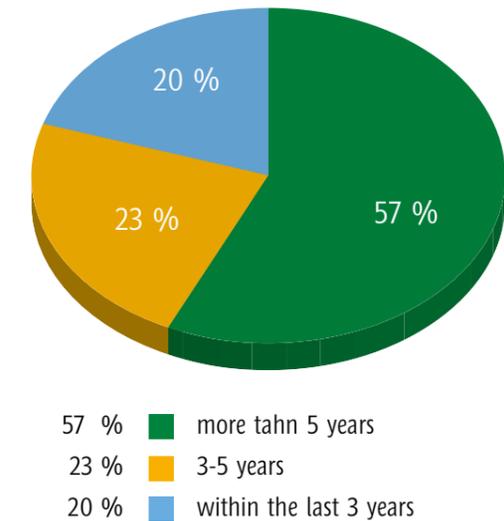
Finally, the supplier has to sign four documents: the purchasing conditions, the product pass, the Fair Wear Foundation requirements (supplier questionnaire) and the factory questionnaire.

Offboarding

Waschbär established a transparent process, when Waschbär identifies a need for ending a relationship with a supplier – which becomes necessary from time to time, even if Waschbär always aims long-term partnerships with factories (usually more than five years as shown in the graph below).

Reasons for the need to end a relationship differ. Some suppliers underperform regarding ecological and social sustainability, others offer products that do not fit into the assortment anymore or do not fulfil the quality requirements. To make sure that the impact is manageable for the company and its workers in case Waschbär ends a business relationship, Waschbär established a Responsible Exit Strategy. For Waschbär it is important to identify why a business relationship might need to end, to give the partner the possibility to improve the situation and to phase out in an appropriate time frame, depending on the leverage at the supplier. For more detailed information please refer to the simplified display of the strategy.

Duration of relationship with factories of Waschbär own textile products

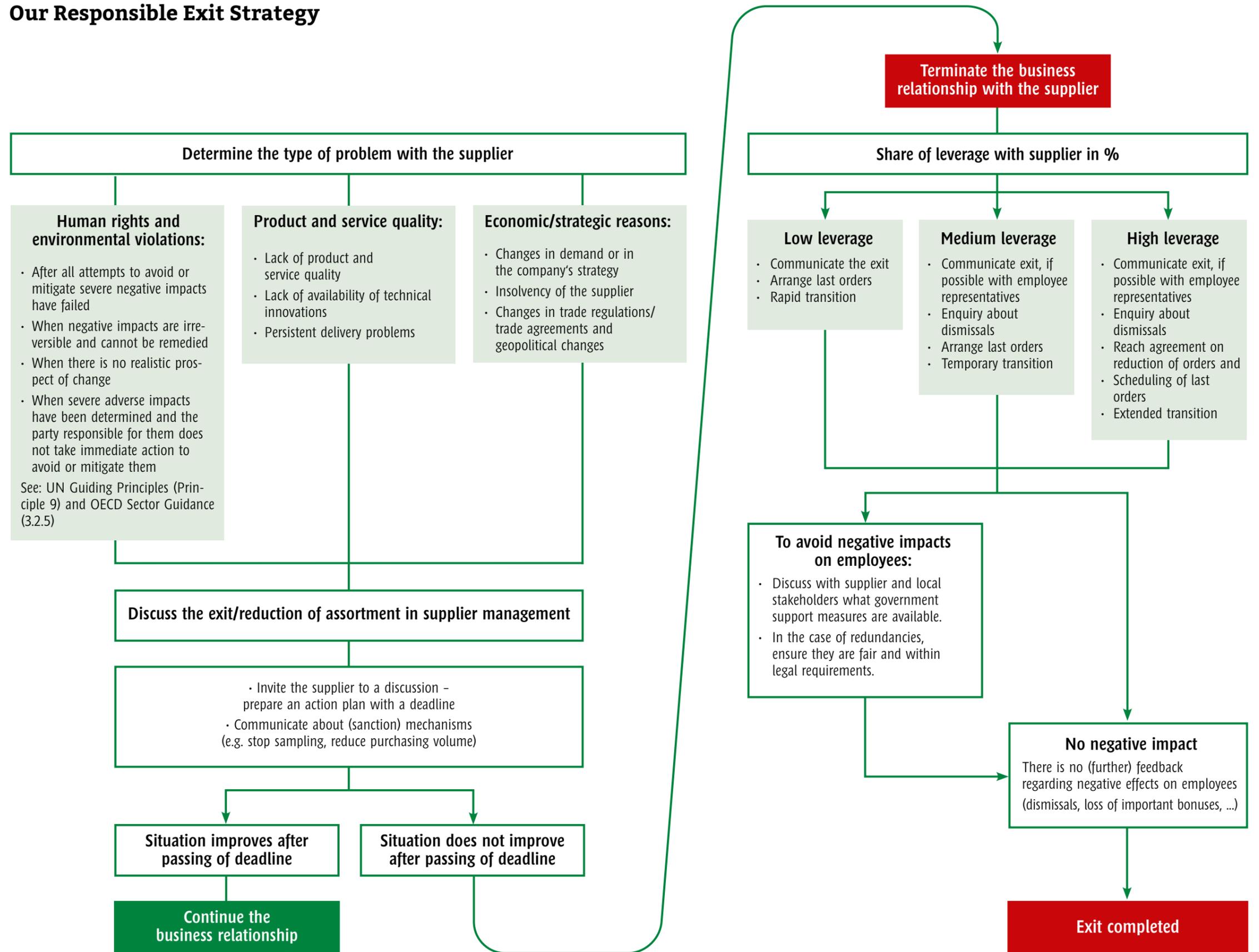


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9. Supplier Management

Our Responsible Exit Strategy



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Chapter 10

Complaints



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10. Complaints

Complaints can be filed by workers that produce for Waschbär through a complaint mechanism by the Fair Wear Foundation whose accessibility is provided by Waschbär to all workers along the textile factories where own products are sewn. If a worker files a complaint, Fair Wear Foundation monitors that Waschbär and the factory management solve the complaint accordingly.

In 2022 Waschbär received three complaints. Two complaints came from a Turkish factory, which were later on summarized to one complaint. The other complaint came from an Indian factory. Waschbär is working with the Turkish factory already for 23 years and with the Indian factory for six years.

Turkey

Turkey is facing an economic crisis, due to the high inflation rate. Therefore, the money is worth less and less and the wages lose their value. The economic situation is also affecting the textile industry and it is difficult for the workers to cover their basic costs. Therefore, complaints were raised, which highlighted the topic of loss of value. Some workers of this particular supplier started to protest about this situation and stopped working for a limited time frame. The management team reacted and raised the wages for workers. However, one particular worker raised another complaint that there was no salary increase for her position.

Included Labour Standard:

Living Wage and (Value loss of wage because of high inflation rate)

Clarification

During this whole process, Waschbär was in constant exchange with the management team of this particular supplier. It became clear during the process, that the overall communication between the management and the workers needs improvement and therefore Waschbär proposed to conduct a worker survey. The outcome of this survey matched with the complaints of the workers. It became apparent, that the workers are unhappy about the wages and how the management handles the needs of the workers. The complaint of the particular worker is still under review. In the meantime, this particular worker resigned her work at the factory and went to court. The hearing of this case did not take place yet. Waschbär is in constant exchange with the supplier on the outcome of the court appointment.

Workers producing for Waschbär have access to a complaint mechanism provided by the Fair Wear Foundation, which monitors any complaint to ensure proper resolution.

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10. Complaints

India

In the beginning of 2022, Waschbär received a complaint by an Indian supplier. One worker was stating, that at this particular supplier the wages are too low, too long working hours without breaks are normal and no premium is paid for overtime. Apart from that, the workers need to work on public holidays and there is no transparency about the payslips. Furthermore, bullying is apparent during working hours and the workers need to pay membership fees to a union, but no union activities are noticeable. After receiving this critical complaint, Waschbär went into direct interaction with the supplier and asked for clarification.

Included Labour Standard:

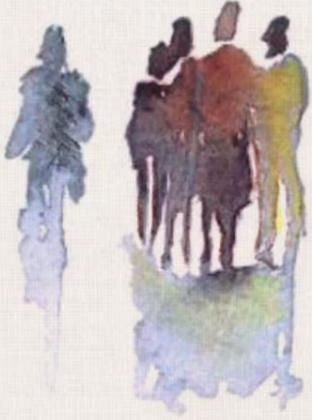
Employment freely chosen, Living Wage, Reasonable hours of work, Safe and healthy working conditions

Clarification

Waschbär tried to find a common ground to work together on improvements with this supplier, but unfortunately, at the end, no direct exchange with the supplier's management team was possible anymore and the points of the complaint got rejected from the supplier. Achieving no improvement in such a critical situation was really difficult and knowing that the situation for the workers will not change as well. The core values for Waschbär are long relationships with suppliers and working together on improvements. Nevertheless, there was no possibility to interact with the supplier anymore and therefore Waschbär performed The Responsible Exit strategy in the end.

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Chapter 11

Open Calculation and Living Wage

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11. Open Calculation and Living Wage

Living wages are an important issue, because national legal minimum wages are generally not enough for a living. Those minimum wages are only covering the very basics and are the lowest wages permitted by national law or by a special agreement. A living wage however is the wage that is high enough to cover the basic needs of a family and also leaves small financial reserves.

Waschbär is mostly only one of many customers at a production facility, so we only use a certain percentage of the factory. This means, what Waschbär pays in higher purchase prices, does not automatically increase wages. That's why it is important to have a detailed insight into the price calculation and all the components of costs.

The introduction and use of an open calculation system helps to understand which part of the production is most cost intensive and where possible changes can be made to increase the wage outcome for the workers. An open calculation system guarantees knowledge what effect changes in price components can bring about and shows responsibility for fair prices. It gives transparency by understanding the production costs. It delivers valuable information and is an important step to increasing wages.

In general, an open costing calculation system includes:

Material and accessories, washing, labels, cutting, sewing, ironing, packaging, customs, overhead cost, profit and shipping.

Waschbär is working on introducing open calculation systems with its suppliers to get a clear overview which suppliers already have a working system in place. One supplier in Lithuania for example explained, that they made internal focus groups to better understand what workers need as a living wage. The topic of living wages is very complex and broad and will certainly be on the agenda for the next years for the whole industry.

Living wages are crucial as legal minimum wages often fall short, covering only basic needs. Being one of many customers at production facilities, Waschbär alone cannot increase wages through higher purchase prices. To address this, an open calculation system is being introduced - to identify areas with high costs and to help increase workers' pay.

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Chapter 12

Visiting Waschbär suppliers

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12. Visiting Waschbär suppliers

Travelling and speaking to suppliers is important to keep good communication and to maintain and secure long-lasting business relationships. On the other hand, we conduct trips to start business relationships, to visit new suppliers and to get to know the people Waschbär is planning to work with. After two years of Covid restrictions, Waschbär started in 2022 to visit suppliers again. The sustainability department of Waschbär travelled in 2022 to five different countries in order to visit suppliers.

Greece, Bulgaria and North Macedonia

In a first visit of the year, Waschbär went to three production locations of one of its main suppliers. The leverage of Waschbär at the production locations is together 59,5%.

Especially the topic Living Wages and open Costing was raised by Waschbär during this business trip. Apart from that, the cooperation concerning organic cotton supply was negotiated.

Portugal

Waschbär travelled to Porto in order to visit four different production facilities. All production facilities were new business partners of Waschbär and the visit was one part of the onboarding process. All facilities work very transparently and fulfilled the overall standards of Waschbär.

Turkey

At the end of the year Waschbär travelled to Turkey and visited four suppliers. The first stop in Turkey was Izmir, followed by Istanbul. During the visits and talking to the suppliers it became apparent that Turkey is struggling with the economic crisis and the rising inflation. Our partners are worried about the future of the textile industry in Turkey.



Key data for Waschbär:

Address

Wöhlerstraße 4, 79108 Freiburg im Breisgau

Brand

Waschbär GmbH (founded 1987)

Homepage

waschbaer.de

Product range

Fashion, shoes, cosmetics, furniture,
home textiles, bedding, household, goods, toys, books, food..

Sales markets

Germany, Switzerland, Austria, The Netherlands

Distribution channels

Mail Order, E-Commerce, shops

Shops (Outlet stores)

Freiburg, Göttingen

Steward owner

Katharina Hupfer, Purpose Stiftung

CEO

Katharina Hupfer

Number of employees

291

Number of trainees

10

Turnover

€ 63.039.078