



ARMEDANGELS

## Social Report 2017

Start date membership: June 2015

Reporting period (financial year): January - December 2017

**We make Fashion.  
Eco & Fair.**

“The role of the global textile sector has shifted far beyond meeting a basic human need. As we all can see the urgent environmental and social challenges caused by climate change and resource depletion, the efficacy of solutions depends on the creativity, innovation and boldness of our industry. While transparency measures are important and commendable for all those who practice them, what is disclosed is usually voluntary and far from sufficient to ensure full transparency of how products are produced across a supply chain.

We believe that it has been a long time for players to change the trajectory. At ARMEDANGELS, we want to change the “business as usual” and show that it can be done in a different way.

We love beautiful products, we think organic and we believe fairness is never out of fashion. We constantly must rethink and design for the future. With a great team based in Cologne, Germany, it’s our mission to combine fair working conditions and innovative, sustainable and high-quality materials with beautiful and contemporary design.

Today, with 80 employees and four collections every year we are one of the leading eco & fair fashion brands in Europe. We don’t want be perfect, but different and we work hard to do the right things. Step by step, every day.”

Martin Höfeler, CEO & Christian Brandt, CFO/COO

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# Our Philosophy

We do not want any ARMEDANGELS product to endanger the environment nor harm the people who make it. That's why we not only use sustainable materials but engage in ensuring fair working conditions and fair wages for the people who concern ARMEDANGELS. No matter if cotton farmers in India, sewers in Turkey or our own employees in Cologne. The fact that we do not only talk but act on realizing our principles is additionally verified by independent organizations such as the Fair Wear Foundation (FWF), GOTS and Fairtrade.

Here are our principles that guide us:

1. We only choose sustainable and innovative materials of the highest quality to produce beautiful products that will last for long.
2. We responsibly select our suppliers who share the same values. We believe they are our partners and that is how we treat them. Trust, respect and understanding are the basis of our relationships.
3. We know our partners. We visit them regularly at site and establish mutual dialogues. That way we build strong and long-lasting relationships.
4. We trust in external third-party audits to receive a neutral verification on the status quo of each factory. We support our partners in implementing necessary changes to establish fair working conditions and an ecologically optimized production.
5. We offer training programmes and consultancy to our partners. We acknowledge that the global industry will only change in a framework of social, ecological and economic justice – therefore we support and assist our suppliers.

## Summary: Goals & Achievements in 2017

Our goals are driven by our vision. We have a long-term commitment regarding sustainability and we continuously strive to improve in the field of corporate responsibility which we think is crucial to our success. One important tool to achieve continuous improvements is to define clear targets for social working conditions and ecological production at our partners' factories.

In 2017 we celebrated our 10-year anniversary. We may proudly communicate that in 10 years, we

- ... processed more than 1.4 million kg of GOTS certified organic cotton fibres in our collections.

- ... saved about 2,700 kg of pesticides and about 350,000 kg of chemical fertilizers - because we do not use any pesticides, neurotoxins or other chemicals to grow our organic cotton.

- ... saved about 2.8 billion litres of water - only by using organic cotton! This corresponds to about 1,117 full Olympic pools or 20 million filled, conventional bathtubs.

- ... helped to sustainably improve the lives of cotton farmers by paying stable minimum prices. Since 2007 we are Fairtrade certified.

- ... changed all processes in our supply chain according to the strict GOTS standard.

- ... became a member of the Fair Wear Foundation.

- ... extended our product range from 1,000 parts to 872,000 parts. We've evolved from "just T-shirts" to four full collections a year, from none to 1,000 points of sale around the world.

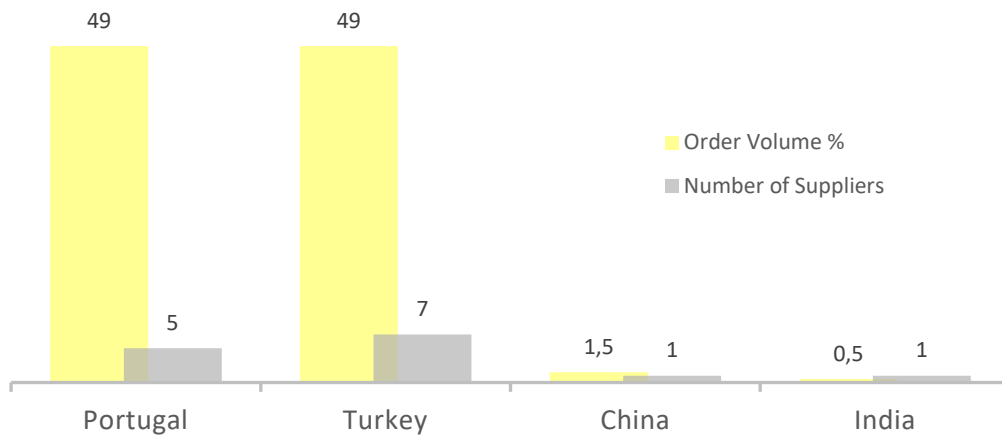
In 2017 we kept on growing – in terms of manpower, new suppliers, turnover and wholesale partners. With a team of around 80 passionate employees we furthermore increased order volumes leading to higher leverage in our partners' factories, additional and new suppliers, hence leading to more influence to facilitate change!

In 2017 we began partnering with PETA. The PETA-Approved Vegan logo features products in the ARMEDANGELS Online Shop that contain no animal ingredients and thus helps to facilitate vegan shopping.

In 2017 we drove a big awareness campaign on wool and animal welfare. For ARMEDANGELS it is clear: if we process wool, then only sustainable and animal friendly! We pay attention to certificates, but at the same time we visit the sheep farms to understand the local situation and to look for the best possible solutions together with the organic farmers.

In 2017 we implemented an open costing methodology with our suppliers and created a truly collaborative and transparent relationship on costs with our partners. By this approach, the negotiation of the manufacturing price (CMT cost) with suppliers separately itemizes the labour cost. Since low wages are collectively caused, achieving fair wages is a collective responsibility and we will be able to achieve such with the new methodology.

In 2017, we worked with 14 first tier suppliers in Portugal, Turkey, China and India and began our responsible on-boarding process with three new first tier suppliers in Portugal, Lithuania and Tunisia.



The above chart shows the number of ARMEDANGELS first tier suppliers in 2017 and their respective order volumes (in %).

9 out of 14 partners are from so-called high-risk countries (Turkey, China and India). At 4 out of 9 partners in high-risk countries, a FWF audit has been conducted in 2017. 6 out of our 14 partners have done a social audit based on other social accountability initiatives. In 2017, 49% of our order volume was placed in Portugal and 51% in factories in high-risk countries.

In 2017 we did not conduct any FWF 'Workplace Education Programme' (short WEP) trainings at our partners' factories. This will be emphasized in 2018. On the other hand, it is a priority for us to visit our partners in the production countries on a frequent basis, at least every 6 months. As the lifecycles of our goods include many stakeholders and not only the first-tier suppliers, it is necessary for us to ensure that our partners and the applicable distribution channels consider the social and environmental impacts of their policies and practices. As a small business, we still face minor difficulties to have significant influence over our suppliers, but we are on a good way in changing that. We constantly talk about social and environmental practices as early as possible when engaging with suppliers; we keep the questions simple: focus first on qualitative questions to assess whether a supplier implements and measures social and environmental impact. Our selected partners are mission-aligned suppliers that employ positive social and environmental practices, such as fair working conditions and monitoring of energy, water, waste, and emissions.

In 2017 our CFO/COO, Head of Buying and the Sustainability/CR Manager visited all suppliers in their factories to meet with them, to emphasize the ARMEDANGELS mission in detail including our philosophy and our commitment to sustainability and forward-thinking production, to build trust and transparency and to also learn from them.

Collaboration, not only with all our partners, is important for us. We strive to work with other brands sourcing in the same factories in order to reach our common

goals more comprehensively. We are happy to see that the work on FWF principles is yielding its positive results in shared factories.

## 1. Sourcing Strategy

With new government regulations and a worldwide push for social and environmental consciousness, responsible businesses face more pressure than ever to develop sustainable sourcing policies and strategic sourcing practices. Strategy and value creation are the new norms of sourcing and the shift in methodology is here to stay. Sourcing at ARMEDANGELS is sustainable. We are already doing this, since day one as we believe that sourcing sustainably can help support climate action and improve people's livelihoods, while improving quality, strengthening supply chains, and giving consumers a brand, they can trust. Our strategic sourcing model includes social and ecological responsibility as part of the supplier selection criteria.

No matter if we talk about a cotton farmer in India or a sewer in Turkey we believe it is our responsibility to work collaboratively with our partners and colleagues on this strategy. As a further back-up we are supported by voluntary standard and system-based tools of Fairtrade, GOTS (Global Organic Textile Standard) and the Fair Wear Foundation.

Fairtrade's main goal is to address the imbalance in the global trade by supporting small scale farmers and workers worldwide. A transparent system that allows the backtracking of cotton to its exact source is key. The Fairtrade standards set the framework for the workers' and farmers' social, ecological, and economic development. The standard dictates the payment of a stable Fairtrade minimum price on the raw material and an additional premium for community projects. The CFO/COO and the Sustainability/CR Manager travelled to India again in 2017 in order to meet the organic and Fairtrade cotton farmers of our supply chain to evaluate the systematics implemented at site. We continuously check and verify our partnerships to make sure that they are still efficient and striving for sustainable development.

The Global Organic Textile Standard (GOTS) counts as one of the strictest certifications for certified organically produced and processed natural fibres. It defines requirements that safeguard an ecological and socially responsible production of textiles – from the cultivation of the raw material to the finished product. All our partner factories are GOTS certified, regardless of whether the product will later be approved and labelled as GOTS or not (as this depends on the material mix). This way we make sure that also for non-GOTS styles ecological and social requirements are assured in production.

The Fair Wear Foundation is an international multi-stakeholder initiative with the primary goal to improve working conditions in textile factories jointly with their member companies. A strict Code of Labour Practice regulates the prohibition of child labour, the right to collective bargaining, safe and healthy working conditions, the implementation of living wages and an environmental conscious production just to name a few. Different mechanisms are used to ensure the compliance with the Code of Labour Practices, such as auditing and trainings, as well as a complaint hotline for workers, among others. Monitoring the implementation of the FWF Code of Labour Practices is a costly and labour-



intensive process. Therefore, we prioritise and distinguish between so-called high-risk and low-risk countries, which allows us to focus on where our support is most needed. Low-risk countries are determined by the presence and proper functioning of institutions such as trade unions, work councils, labour legislation and labour inspection. If those institutions are missing or are not working properly the risk of fundamental breaches in labour standards are higher. Our production countries Turkey, China and India are, hence, classified as high-risk, Portugal, on the other hand, is classified as low-risk.

Our Sustainability/CR Manager, our Sourcing & Quality Manager and the Buying department are mainly responsible for supporting our partners on the implementation of our guidelines and they are in direct contact with them (via mail, telephone or onsite during visits). Our guidelines are a set of principles and aim at establishing better working conditions and ecologically optimized processes.

We believe that collaboration is key. Therefore, we are always looking for innovative organisations to support us and learn from and we are continuously in contact with other brands sourcing from the same partners as well. We strive for a shared goal: To improve conditions in our industry. If we work together, our goals can be reached in a more sustainable way and can be implemented to last long – and that is a win for everyone.

## 1.1. Sourcing strategy & pricing

Suppliers influence the equation in numerous ways. Global sourcing potentially raises the carbon footprint and there is also the risk of dealing with unethical practices. We are careful not to make cost-reduction our sole sourcing and procurement mission. We believe that ARMEDANGELS can't be leading edge in sustainability if we aren't leading edge in sourcing & pricing.

Sustainable sourcing & pricing is for us a process of purchasing goods and services that take into account the long-term impact on people, profits and the planet. Sustainable sourcing considers how products are made, where and from whom they (and their components) come from, how they are transported, and how they are ultimately disposed of. We strive to ensure that our products and components exceed environmental and social expectations. At the same time, we know that our actions are helping to:

- Reduce costs: by increasing resource efficiency; rationalizing suppliers; and cutting disposal costs (e.g. by removing hazardous materials from the design).
- Manage risks: achieving 'corporate assurance' by understanding and proactively and collaboratively improving the social and ecological performance of our suppliers; and developing innovative approaches to capturing socially conscious consumers and meeting regulations.
- Build intangible assets: enhancing brand and nurturing a reputation for social and environmental responsibility and awareness.

Sustainable sourcing at ARMEDANGELS starts with our materials. For this reason, we set-up an extensive 'ARMEDANGELS Sustainable Material Guideline' summarising materials which are ecologically optimized and of best quality. Our most important materials include the following:

- Natural organic fibres, such as organic wool and organic cotton (our organic cotton from India is also Fairtrade certified)
- Cellulose fibres from our Austrian partner Lenzing, such as Tencel™ and EcoVero™
- Recycled synthetic fibres such as recycled polyester

The guideline is a living document and is revised regularly in order to accommodate new research.

Only using ecologically optimized materials is not enough for us. Therefore, we continue our commitment to reducing the environmental impact by choosing GOTS certified factories to partner with. This way we make sure that high environmental standards are kept within our entire production chain. Social standards are also part of the GOTS certification and build the basis for our work on the FWF principles.

Our Sourcing & Quality Manager as well as our Sustainability/CR Manager invest a lot of time and resources to train and support our suppliers. Additionally, we trust in the Workplace Education Programme (WEP) of Fair Wear Foundation for further trainings regarding working conditions. Mutual understanding is key to this work. We don't want our partners to just do as they are told, but for them to really understand the reason behind this work and how it benefits not only the workers, but also the efficiency of the whole factory. Our experience has shown that establishing fair working conditions leads to improved work flow, productivity and higher quality as sick days, accidents and turnaround of workers are decreased, among others. Factories can hence decrease costs and increase output.

We offer our partners a high degree of transparency into our processes and aim for reliable and stable order schedules to build this trust. Especially where short-term changes and re-orders are concerned, we know how important it is to act responsibly and forward-looking. Efficient planning, sufficient time for production and avoiding short-term purchase order changes are essential to guarantee a punctual delivery without time pressure and forcing workers to do overtime.

To assure that, we block fabric in bigger volumes in order to disburden the suppliers. Also, we have limited ten delivery dates making sure that our suppliers are almost working all year round for us instead of only six months. Time pressure is relieved and production planning is much easier for the suppliers. The feedback from our suppliers to these changes was very positive. We are aiming to support our suppliers further by making sure that our payments are done in time, sometimes even preliminary, and by guaranteeing them to cover costs caused by us.

We are aiming to reward those suppliers, who deliver good quality with a commonly negotiated price and work closely with us on social and environmental issues by increasing the order volumes, as we are still a fast-growing company. However, as our collection is constantly growing, and new products are introduced, we do have to source new partners regularly. Our sourcing decision is often limited by the availability of GOTS certified factories that can meet our design and quality expectations. However, now with our strong

product groups with higher order volumes, we are able to also approach non-certified factories that share the same values, who are then willing to undergo the certification process for us. Decisions are taken jointly by the Head of Design, the Head of Buying, the Senior Technical Product Developer, the Sustainability/CR Manager as well as the CEO and the CFO/COO, who come together to discuss new suppliers following our 'New Supplier Policy'.

Our aim is to work with partners, who supply long-lasting products of high quality, modern design and produced in harmony with humans and nature.

## 1.2. Organisation of the sourcing department

The Sourcing & Quality Manager is a staff position and the department, which consists currently of one employee, directly reports to the CFO/COO. At ARMEDANGELS the sourcing department's role is seen as vital, decisive and supporting operations (through assuring responsible purchasing, continuity of supply and reducing risks), such as Buying and Corporate Responsibility.

From a labour standards performance standpoint, each type of supplier poses different issues and different risks. We at ARMEDANGELS have a clearly defined plan based on formal criteria when selecting new suppliers. Example elements of a sourcing supplier assessment before on-boarding are:

- Region, country and area inside country
- Certification to labour standard or adherence to corporate or industry labour codes
- Presence of management systems for internal and supply chain labour standards performance
- Level of attention and readiness for certification to ecological standard requirements (like GOTS) and environmental management systems
- Estimated number of sub-suppliers and sub-contractors
- Labour relations and legal history

## 1.3. Production cycle

ARMEDANGELS has four women and men collections every year: Two main collections (Spring/Summer "SS" and Autumn/Winter "AW") and two side collections (High Summer "HS" and High Winter "HW").

Our usual production cycle begins with our design and product development phase including the internal design phase as well as the production of the first prototypes. We then ask our suppliers to produce Sales Man Samples for our sales team. During the sales period our sales team presents the new collection at our retailers and takes their orders. Once all orders are placed the production process can begin.

Good internal production planning and a smooth production cycle are essential to support the factories in establishing fair working conditions. Because short lead times, seasonal production and late order changes are among the main reasons for extensive overtime, increased short-term seasonal work contracts and negligence of personal safety.

We, therefore, make it a priority to know our partner's capacity in order to plan the order volumes and the production times correctly without putting pressure on the factories. We stick to ten fixed delivery dates so that our factories do not have an unbalanced production workload with peak times and low periods. Seasonal work is a big challenge for factories, as they have to pay for their workers all year round. By splitting the delivery dates, we are able to utilise the factories nearly throughout the year giving financial security to the factory management and minimising the necessity of overtime.

Our production lead-times vary between 12 to 18 weeks and are dependent on internal planning, the capacity of our suppliers and material lead-times. This is generally sufficient time for factory management to make a robust production planning without having to rely on overtime. However, the supplier is often faced with late material deliveries and other restrictions reducing the time leftover for the actual production. This is putting pressure on the management and ultimately the workers.

As we know that some of our alternative materials have long lead-times or tend to be delayed due to various reasons, we make it a priority to block difficult fabrics before placing the order, so that no delays are caused by late material deliveries. We also implemented internal processes to respond to queries quicker and hence minimize the delays caused from our side.

#### 1.4. Supplier relations

Simply put, sustainable products start with sustainable supplier relations. We build strong partnerships with our suppliers and put importance on mutual growth. In dealing with our suppliers, we comply with relevant laws and regulations and furthermore set even higher standards. We keep very close and direct contact with all our first-tier suppliers. As stated before, we visit them regularly and have an open and honest communication with them. We furthermore are in frequent contact with downstream users in our supply chains and visit them as well whenever possible. Through nominating manufacturing origins and the GOTS/Fairtrade systematic we can trace back our products up to the raw materials.

We have been strongly focusing the last years on preventing any misconduct and violations from occurring by conducting regular internal audits, besides the conducted independent audits from Fairtrade, GOTS and FWF. We also hold training sessions and support with consulting, not only for the personnel in charge of merchandising, but also for supervisors of factories and employees, and we strive to strengthen the system by promoting the participation of relevant stakeholder initiatives.

Unfortunately, we also had to terminate some business relationships in 2017. During a FWF audit at one of our Turkish suppliers, the owner of the factory was reluctant to share all the documents with us and presented us with either fake or incomplete papers. When we confronted him, we were no longer welcome. He cancelled the audit and refused to continue. And then he threw us out. We had to decide and concluded that this factory is not the right partner for us. That's why we try to select only the best partners for cooperation. Most of the time it works very well, but sometimes not. In this case, the production partner looked perfect at first glance (and on the second, too). The factory has a new set-up, is well structured and organized. The communication was good and when we

talked about our philosophy and our work, they were enthusiastic to work with us. But many things are known only when the FWF audit reveals the reality. Only then does the real work on social standards begin. And that's when we realized what the real motivation of the production partner was.

In our business we have to trust in our partners and the management to share our values with us. If we are being lied to, tricked or betrayed and agreements are not being kept than it is our responsibility to end the relationship. We can only reach our goals, if we have committed partners on board with us.

In 2017 we furthermore started new business relationships with one supplier from Portugal, one supplier from Lithuania and one supplier from Tunisia. Production is starting in 2018.

### 1.5. Integration of monitoring activities & sourcing decisions

We motivate our partners by finding a common approach and understanding of the value created by a partnership with ARMEDANGELS. Value and evaluation indicators are therefore designed for continuous improvement in the monitoring activities, as well as for sourcing decisions. All our suppliers are continuously evaluated by an internal team (consisting of Buying, Sourcing & Quality, technicians, design and Corporate Responsibility). This evaluation takes into account the price-performance ratio, compliance with delivery dates, quality, status quo of social and ecological standards, the social and ecological development of a supplier, the degree of innovation as well as their cooperation. As we are constantly growing, we are aiming to reward suppliers with a good performance with bigger order volumes.

## 2. Coherent system for Monitoring & Remediation

Knowledge is power. Hence, knowing our supply chain is the basis for our work. We therefore ask all our partners to fill out a comprehensive Supplier Questionnaire, which also includes information on all subcontractors used. This information must be updated year by year.

Subcontracting is often perceived as a bad thing. We don't like this generalisation! The risk of breaches in labour standards often increases the further down one looks into a supply chain – that is, without a doubt, true. However, we know that not all of our suppliers have the possibility to do all steps of production in-house. They, therefore, have to rely on outside factories to support them. For us, subcontracting does not only include sewing, but also printing, embroidery, washing and dyeing of garment. Every process, where a supplier is contracting another factory to do a specific step of the production counts as subcontracting for us.

All factories in our supply chain, whether they are our direct business partners or their subcontractors, are treated equally, receive the same support from our side and have the same responsibilities. When visiting the suppliers, we are trying to

also visit the subcontractors as much as possible. All suppliers and all of their subcontractors are also GOTS certified.

By mapping our supply chain, we can guide suppliers towards skilled subcontractors and establish networks. Hence, good subcontractors are rewarded with higher order volumes, while we decrease the number of subcontractors used overall and thereby decrease the risk of breaches in labour standards in our supply chains. It is a matter of choosing the right partner, knowing all steps of production and working together on implementing real improvements for workers that make the difference.

All factories are informed of our membership with Fair Wear Foundation right at the beginning of the work relationship, as part of the responsible sourcing process. Communication and endorsement of the Code of Labour Practice, publishing the Code, the Worker Information Sheet and filling out our extensive Supplier Questionnaire is part of this. An internal ARMEDANGELS employee further visits the factory; this may be the Sustainability/CR Manager, the Sourcing & Quality Manager or someone from the design department or Buying.

During internal audits conducted by our Sustainability/CR Manager and external audits done by a third party an Audit Report as well as a so-called Corrective Action Plan (short CAP) is written up, which summarises the main findings, assigns responsibilities and sets timeframes and recommendations for remediation. Auditor and factory management jointly agree on the CAP. It is then the responsibility of our Sustainability/CR Manager to do the follow-up: First via email and telephone followed by a personal visit at the supplier. We assist and support the suppliers to be able to successfully implement the corrective actions. Working with other clients of the supplier to achieve this goal has proven a very effective way. Again, collaboration is key!

During the financial year 2017, we placed orders with 14 suppliers in 4 countries. Around 51% of our order volume was placed in high-risk countries (Turkey, China, India). 49% was placed in the low-risk country Portugal.

Below is a description of our efforts in our active producing countries.

## 2.1. Suppliers & their subcontractors in Portugal

Total # of Suppliers	Total # of Subcontractors	# of Factories with Social Audits		Visited by ARMEDANGELS Team	
		FWF	Others	Suppliers	Subcontractors
5	8	0	7	5	7

The story of ARMEDANGELS begins 2007 in Portugal with the production of the first 1000 T-Shirts with 10 prints. Even though our production has grown to over 400.000 pieces in Portugal in 2015, we are still working with this very first partner. As the collection increased, more suppliers needed to be found. In 2017 we worked with a total of five suppliers in Portugal.

As Portugal is a low-risk country our main monitoring activity is to inform all suppliers about our membership with Fair Wear Foundation and about the respective labour standards. Just like in every other country, all our suppliers need to fill out our extensive Supplier Questionnaire, they have to endorse the Code of Labour Practice and are asked to hang up the Worker Information Sheet showing the eight labour standards in all production sites.

We work in a direct business model with all our suppliers in Portugal and are visiting the factories regularly. We are envisaging to enrol all five suppliers in a training by Fair Wear Foundation as soon as one will be offered again. In the meantime, our Sustainability/CR Manager makes the effort to train the suppliers further on the commonly shared social and ecological standards.

All Portuguese suppliers have conducted social audits by other organisations like Fairtrade, SMETA or companies` code of conducts audits. All suppliers have shared the respective audit reports with us and we also take this as the basis to work on social issues, majorly with regard to workplace safety, with them.

## 2.2. Suppliers & their subcontractors in Turkey

Total # of Suppliers	Total # of Subcontractors	# of Factories with Social Audits		Visited by ARMEDANGELS Team	
		FWF	Others	Suppliers	Subcontractors
7	2	4	2	5	2

In 2017 we produced shirts, blouses, knitted outerwear, dresses and skirts as well as denims at seven suppliers from Istanbul and Izmir accounting for 49% of our total order volume. The ARMEDANGELS team visited all suppliers as well as many of their subcontractors at least once in the reviewed year. The sizes of the suppliers vary between 30 employees to 200 employees.

At four of our seven Turkish suppliers a Fair Wear Foundation audit was conducted in 2017. We are now actively involved in remediating the findings and have therefore agreed on timeframes and responsibilities with each supplier and are following-up on the implementation closely.

During all our visits in 2017, we made it again a priority to discuss the topic of Syrian refugees in textile factories in detail. At the moment, one of our suppliers in Istanbul is employing a Syrian refugee.

## 2.3. Suppliers & their subcontractors in China

Total # of Suppliers	Total # of Subcontractors	# of Factories with Social Audits		Visited by ARMEDANGELS Team	
		FWF	Others	Suppliers	Subcontractors
1	1	0	0	2	0

Our Chinese supplier is an environmentally conscious factory based in Zhejiang Province close to Shanghai. The supplier is our specialist for jackets – as this is still one of our smaller product groups, the percentage of order volume was only a little bit above 1,5% in 2017. Our design team visited the factory twice in 2017 and gave feedback on the social compliance to our Sustainability/CR Manager.

The supplier uses one subcontractor for the washing of garments. A FWF audit at the main factory was planned for 2017 but was not able to be realized as the third-party organisation was facing governmental restrictions in conducting the audit. The FWF audit is scheduled for March 2018 as well as visits by the Sourcing & Quality manager and the Sustainability/CR Manager to the subcontractor. The former audit results from 2015 showed that the supplier is already on a good way to comply with all requirements of the Code of Labour Practice. Yet a couple of improvements still had to be done, hence a Corrective Action Plan was written up after the audit. The supplier showed a high motivation to correct all findings in the agreed timeframe and is now well on its way.

## 2.4. Suppliers & their subcontractors in India

Total # of Suppliers	Total # of Subcontractors	# of Factories with Social Audits		Visited by ARMEDANGELS Team	
		FWF	Others	Suppliers	Subcontractors
1	0	0	4	0	0

In 2017 we produced several cloth bags as solely merchandise articles at one factory in India. The percentage of order volume was below > 0,5% in 2017. We obviously have the same standard requirements for all our partner factories and the Indian partner is GOTS-certified as well as Fairtrade certified and has specialized its product range in environmentally-friendly products complying with diverse ecological and social standards. We have planned to visit them in the near future.



## 2.5. External production

ARMEDANGELS has a strong ambition to contribute to sustainable growth and to make a difference to consumers, staff and the society at large. For us, it's of vital importance that we have close relationships and interact with all our suppliers personally. We are not engaged in external production.

## 3. Complaints procedure

In running a business and working with factories abroad, one expects that at some point there could be a complaint from someone who works in the factory. Workplace complaints generally happen when workers don't know what the law is or communication has broken down. The complaints could be to do with their work, where they work, or who they work with. For example, it might be about a complaint of discrimination against a supervisor, or an issue over health and safety they claim has not been dealt with. Such complaints are known as grievances and can occur at any level - from the production floor to the warehouse floor. Grievances can often be settled quickly and informally in the course of everyday working life if the factory has an open-door policy implemented. But, if that doesn't work, the factories need to take action to sort out the matter formally by managing a formal grievance from investigating it through to deciding how it will be resolved.

We additionally welcome the FWF complaints procedure as we see it as a back-up system to all internal grievance mechanisms in the factories. Should the internal grievance systems fail to work, FWF's complaints system enables factories of FWF members to provide access to remedy for workers in their supply chains. It allows workers, their representatives, including trade unions and civil society organisations to present complaints about working conditions and violations of the FWF Code of Labour Practices at the factories. The workers in our supply chain can make use of this external way to file a complaint and we as a brand are asked to actively engage in the remediation of the single complaints.

At ARMEDANGELS the Sustainability/CR Manager is responsible for managing complaints by following the 'ARMEDANGELS Policy on Complaints Handling'. In 2017 we did not receive any complaint from workers in our supply chain.

## 4. Training & Capacity Building

### 4.1. Activities to inform staff members

At the beginning of 2017 a comprehensive sustainability exam was conducted for all staff members to evaluate the status quo of our common sustainability mindset.

Through the year 2017, the focus was on training the new employees and to refresh the knowledge of our existing staff. Therefore, our Sustainability/CR Manager offered 2-hour-trainings which included information on our philosophy, on our work ethics and, of course, on our memberships and certifications. It is now

obligatory for all new staff members to complete a sustainability quiz after the introduction training.

Special training sessions were also developed for the different departments (e.g. design/product; wholesale; marketing) with regard to sustainability, as we realised that the different departments have different scopes and must be individually fetched and equipped with tailored sustainability aspects to deliver our common mission to the different stakeholders.

Furthermore, the ARMEDANGELS sustainability glossary, which serves as a guideline internally, was updated with additional information and updates on materials and sustainability issues in the textile industry in general.

#### 4.2. Activities to inform agents

We only work with one agency in Turkey, who is also working for other Fair Wear Foundation member companies and who was informed about the processes and practices of FWF from the beginning. Information is continuously shared on the topic between the agency and the Sustainability/CR Manager. The agency is also supporting us in the follow-up of Corrective Action Plans.

#### 4.3. Activities to inform manufacturers and workers

All our partners are informed about our membership with the FWF. Before the first order is placed every partner is instructed to endorse the Fair Wear Foundation Code of Labour Practice, post the Code in the factory (and all subcontractors) in form of the Worker Information Sheets in local language and fill out our extensive Supplier Questionnaire, which includes valuable information about each partner and their subcontractors in the supply chain.

All our first-tier suppliers are personally informed about our philosophy and our work ethics by the Sourcing & Quality Manager and the Sustainability/CR Manager during visits. This always includes introducing our memberships like the FWF and our certifications like GOTS and Fairtrade.

As mentioned before, we are highly committed in endorsing the trainings sessions as well by FWF. We further inform on and explain our suppliers the Code of Labour Practice. The former feedback from the training sessions on the FWF Workplace Education Programme was very positive and we feel that this is an important step to increase awareness in the factories, which ultimately is the key to making improvements. We have planned further FWF training sessions for 2018.

## 5. Transparency and communication

Primarily, we use our website, our social media channels and our newsletter to inform our customers about our latest news and activities. This includes detailed pages on the membership with Fair Wear Foundation, on our certificates Fairtrade and GOTS and on our general philosophy. We make it a priority to show our customers right on the landing page what we stand for: Eco + Fair = ARMEDANGELS. Our aim is to become even more transparent to our customers and to give them even more insight into our supply chain.

In 2017 we launched a big marketing campaign called 'Woolwear to be proud of' on our partnership with Argentinian organic sheep farmers. We communicated in detail how we pay attention to certificates, but at the same time we visit the sheep farms to get an idea of the local situation and to look for the best possible solutions in terms of animal welfare, soil diversity and social and ecological production requirements together with the organic farmers.

We furthermore celebrated our 10-year anniversary in 2017 and made a breakdown of our achievements, and more precisely, of the reductions with regard to achieved savings of emissions, hazardous chemicals and water and communicated such to our customers.

## 6. Stakeholder Engagement

Stakeholder engagement is often seen as secondary to the general CSR agenda. Most stakeholder engagement approaches are focused on mass surveys and roundtable meetings. The second scope is CSR/Sustainability reports on previous year's accomplishments. We believe that this is not enough. Stakeholder engagement is a source of value creation for us and is about embracing opportunities and managing risks. In today's business environment, engaging with stakeholders on their terms - transparently, authentically and more frequently - is our way. There is still some work for us to do and we will focus on this in the next coming years.

Through our engagement with different organisations such as FWF, but also Fairtrade, GOTS, PETA and Textile Exchange, we have the great opportunity to engage with different stakeholders on the important topic of social and ecological standards in the textile chain. The country studies on Turkey, China and India published by FWF are also an important resource that we make use of.

We are additionally engaged in different working groups on the issue of social standards, where different stakeholders come together to discuss a variety of topics. The discussions and dialogues during the meetings are very valuable for our work and our network has since grown extensively.

## 7. Corporate Social Responsibility

Environmental and social management or corporate (social) responsibility management systems are often added as satellite systems to conventional management systems. On the one hand, this is strategically negligent, as the economic risks arising from environmental and social issues are often recognized too late by decision-makers and subsequent corrections are necessary. Moreover, this is to be regretted because such an approach does not do justice to the cross-sectional nature of the environmental and social aspects, and thus neither the ecological, social nor the economic potentials of sustainability management and activities can be fully exploited. For this reason, the basis of corporate (social) responsibility management at ARMEDANGELS is to integrate the ecological and social aspects into conventional management strategies. Sustainability is business as usual for us and corporate responsibility (CR) activities are integrated in all management processes.

Our corporate (social) responsibility activities are therefore manifold and can be followed on our company website, on Facebook and Instagram. Next to Fair Wear Foundation, we are following the principles of GOTS and Fairtrade and keep on working on.

### Do you want to know more?

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