



Social Report 2016 (issued 30.03.17)

[www.manroof.ch](http://www.manroof.ch)

Start date membership: December 2008

Reporting period (financial year): 1.1.2016- 31.12.2016



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## 1. Manroof GmbH at a glance

### 1.1. Facts & figures

Manroof GmbH is a niche player for textile promotional products in Switzerland. We design, develop and produce custom-made products such as lanyards, t-shirts, sweaters, caps, bags and other textile products. All goods are manufactured on demand mainly in China. In addition to the custom-made products, we also process stock garments (especially t-shirts, polo shirts, bags and jackets) with custom logo in silkscreen print or embroidery quality.

**Established:** 1999

**Legal form:** Ltd (GmbH)

**Owner and CEO:** Jacques von Mandach

**Employees 2017:** 9

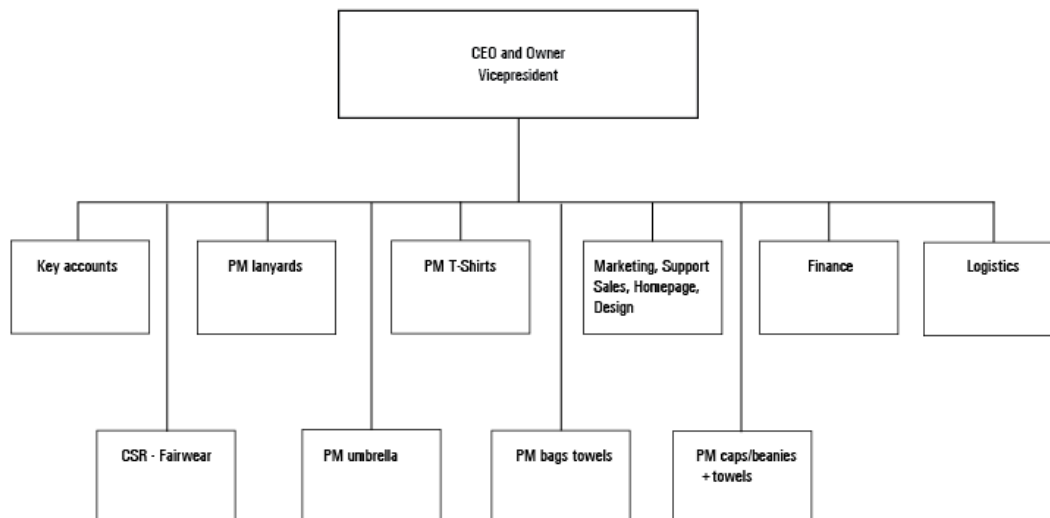
**Products:** lanyards, t-shirts, sweaters, caps, beanies, bags, jackets, etc.

**Product use:** retail and promotion

**Clients:** 95% in Switzerland (2016)

**Country of production:** 78 % in China (2016)

Organisational chart: Manroof GmbH 2013, 07.04.14



## 2. Summary: Goals & Achievements 2016

Our turnover was stable in the year 2016. The market for promotional goods is hit by digitalisation which is causing a big impact in different markets. More and more companies are ordering direct in the internet and also abroad. Different companies went bankrupt. We checked and changed our internal process, our products, target clients and our communication. – Since January 2017 we launched a new website which give us more opportunities to show our products and services.

We have been a member of Fairwear since 9 years and we have collected all these years a lot of know how about CSR. In total 15 audits were done at our suppliers. In the year 2016 we had one audit carried out at P., which was verification audit.

In 2013 we started working with a Chinese CSR consultant (Mrs. Chenyan Liu). She helps to monitor our main suppliers. She has visited several suppliers in order to explain and discuss all open points in person and verifies improvements made at the factories. She is an important part of our monitoring CSR system.

In July 2016 our CEO visited all of our main suppliers in China. During the visit he was accompanied by our Chinese CSR expert. With this visits we were able to emphasize, that good working conditions are equally important to us and our clients as good service and a good product quality. We had an open discussion about working conditions. We analyzed root causes and worked together to tackle obstacles. By this occasion he was also at the FW verification audit at PA, in order to support the FW team and to show to PA the importance of doing CSR improvements.

Our CEO has planned another visit to selected factories in China in November 2017 in order to continue CSR improvement.

All suppliers find it easy to make improvements of health and security issues. Many improvements have been made during the year 2016 and are mostly resolved by now.

A more difficult task than safety & health is to avoid over time (OT) for workers and increasing their salary from minimum wage to living wage. Since 2015 our main focus lies in resolving these two issues. In general, factories have made improvements on lowering the working hours to less than 60 hours/week and entitled workers to have one day rest in 7 days. Suppliers have started to e-mail excel files with an overview of monthly working hours for each worker. Our external consultant verified the result. The success of lowering OT is due to our good and reliable relationship with our suppliers our high leverage and the cooperation of the suppliers. The management of the factories see an advantage in having workers more motivated and concentrated rather than seeing them tired, exhausted. The reduction in OT has minimized the mistakes in production. The improvement has been a great success for all stakeholders.

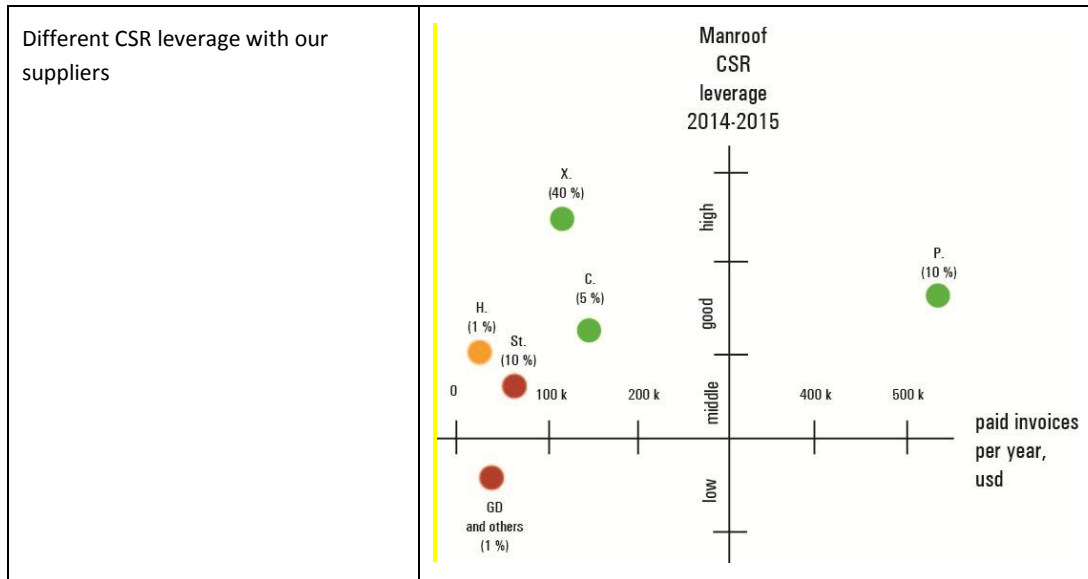
The most difficult task is to lift the salary to living wage. What makes it even more difficult is the fact, that living wage in China is increasing every year.

During his trip to China our CEO also met the FWF country manager, Mr. Wincent Ou. On this occasion, it was possible to discuss the best way to reach better working conditions in the factories. Mr. Wincent Ou said that the most difficult task is to reach living wages. He did not say it is impossible, but he said it is a big challenge. He recommended to request from factories that they pay the statutory holidays (11 days paid), which is requested also by law. Often this benefit is only granted to the management. He continued to report, that a good way to get better working conditions, is to get a deal with the suppliers and to make a long-term plan (2-3 years) for better conditions.

In 2016 we started to analyze the living wage only at factory P. In the second phase we will also analyse the living wage at our other suppliers.

Unfortunately, we are not able to find other clients of our suppliers, who can support and share our CSR work. What makes our CSR easier, are the facts that we have no new suppliers for textile products and our relationship with our existing textile suppliers is very long (8-15 years). So the requested threshold is easier to reach and our CSR work gets less complicated.

Finally, we can show good figures at the thresholds in the year 2016: 76 % have been audit by FWF, 12 % are from low risk countries and 7 % are from external producers who are member of FWF. Therefore, in total we have a 95 % threshold, almost 100 %. We have almost no supplier in low risk countries that is not audited by FWF.



Since 2013 we are working with a CSR external consultant. Without her we would be only able to make improvements regarding health and security issues. Without her we would not be able to discuss OT and living wage with our suppliers. We are confident, that this new consultant can support the suppliers on a professional level. It is an independent CSR consultant, who shows good commitment. The consultancy is time consuming and costly (EUR 500.00/day).

We also encourage our suppliers to attend seminar programs in China, if any take place.

Our CEO Jacques von Mandach has been appointed as the lead coordinator for FWF. In September 2016 he was at the FW annual member meeting in Amsterdam. Ms. Zuzana Valient is assisting him in his undertaking and is responsible for the FWF database. In February 2017 she attended a seminar at FW in Amsterdam in order to get more Know How about monitoring our suppliers.

### 3. Sourcing Strategy

#### 3.1. Sourcing strategy & pricing

Manroof strives to keep a long-term business relationship with its suppliers. It is our goal to know and understand the supplier's supply chain and production method. Convincing suppliers to implement new procedures and standards is often a challenge. In order to increase our negotiating power, we reduced the number of suppliers to increase our relative order shares. Since 2013 we are working with mostly the same suppliers. By keeping the same suppliers, we were able to improve our relationship and work more closely on FWF-issues. In 2016 we have not placed orders with new textile suppliers.

Additionally Manroof sources all stock garments from sub-suppliers, which are mainly FWF members.

In order to find new reliable suppliers we cooperate with other FWF member in Switzerland. Unfortunately, many suppliers cannot compete with our existing buying prices or their minimum order quantities exceed our

demand. We are in contact with one Dutch FWF-member who is now also ordering with our Chinese t-shirt supplier.

It is difficult to source all products in Europe. In some urgent cases for new products, we need to order from Chinese suppliers without performing a social audit immediately. If the cooperation intensifies, we will carry out a FWF audit. All new suppliers are informed about the FWF Code of Labour practices and they need to fill out the FWF questionnaire before placing the first order.

Since last year, we have become a member of BSCI. Our clients have been ordering more non-textile products and we want to know and improve working conditions for all our products. We have done one BSCI audit in 2015 at an umbrella factory. The BSCI work gives us more know-how to deal with the CSR issues.

### **3.2. Organisation of the sourcing department**

The management carries out sourcing. All our sales agents have direct contact with the suppliers and act as purchaser. There have been no notable changes in suppliers within the last year.

### **3.3. Production cycle**

Manroof produces according to the just in time (JIT) method. All products are made-to-order. After defining all specifications, a sample will be manufactured. The standard production lead-time is around 2-3 weeks after approval of the sample.

### **3.4. Supplier relations**

Our membership at FWF changed our purchasing methods. We prefer to work with suppliers that have a production site meeting following criteria:

- Located in Europe: no social audit report is requested, but is welcome.
- Located in risk countries: certified by Fairtrade (Max Havelaar), Gots or SA8000. Depending on the buying volume we will evaluate a FWF audit. For the moment, we only have 2 suppliers, which have such certification and the volume is very low.
- Located in risk countries: We will plan a FWF audit if the order volume reaches a substantial volume.

When searching for new Chinese suppliers, we prefer to select an audited supplier. Any audit or certification is welcome, example: ISO9001, BSCI, Sedex, etc.

### **3.5 Integration monitoring activities and sourcing decisions**

When we contact new suppliers we also check if they have any existing audit report or certification (ISO 9001, BSCI, Sedex, FWF audit, etc.). Any kind of documentation helps us to evaluate a new supplier. As soon as we think that the buying volume will be substantial we ask the supplier for an audit in order to verify working conditions.

Since we have become a member of FWF 2008 we have done 15 FWF audits, all carried in China. 81% of our textile products were manufactured in China (2015) and have been audited. Our supplier register shows

our relative order share of each supplier and the date of the audit. Our CEO has visited the four main suppliers and discussed the CSR issues in the year 2013, 2015 and 2016.

## **4. Coherent system for monitoring and remediation**

### **4.1. Factory A/ China (P.)**

Manroof places most of the orders with this supplier and the leverage is good. The last audit was carried out July 2016 where our CEO was one day there. P. has done many other audits (BSCI, Sedex and others). Unfortunately, we have never had the impression that the other audits are helping our CSR work. They take our concerns, the FWF Code of Labour Practices, very seriously. They show full cooperation and they confirm improvements by relevant documentations and photos. We have a good relationship to the management and we trust that they continue to improve working conditions. To reach the living wage remains the biggest challenge.

#### **Over Time:**

We are now collecting monthly working hours document of each worker. In July 2016 we agreed with the factory owner that the OT should not increase too much. At the end of the year we checked the documents and saw that the OT was increased again during November and December, which is a peak season. We need further discussions with P. how we can root the causes and avoid too much OT. We assume our leverage with 10 % is too small to get more influence here.

#### **Living Wage:**

We started last year (2016) to focus on living wage. We collected payment documents and we exchanged many emails about this issue. - The Asia Floor Wage is 3847 RMB/Month (2015), means workers should get this salary when they work 8 hours per day, 5 days per week. The workers get paid less than this amount, if working for normal working hours. Factory owner stated that the workers were paid around the industrial wage and the average wage in the neighborhood. The factory explained that it is difficult for them to change the whole remuneration system. Manroof is even willing to pay more to support the living wage as other clients of this factory do not show this commitment and support. Nevertheless, Manroof is taking proactive discussion with P to support the living wage.

After many Emails with P. we came to the conclusion that the statutory holidays is not paid and that we need discuss more this subject. Factory owner says he is paying statutory holidays.

We have calculated that the price to reach living wage would be ca. Eur 0.20/pc bag, which is workable. Before we start paying an extra price we need to be reach a higher level of documentation and agreement. This will take some time because we are facing many obstacles.

First we need them to have good and solid working contracts. We found out that the working contracts are valid, but not saying how the salary is calculated and there is only little information. We assume that nor the factory nor the workers are making a difference between the compensation of normal working hours and OT.

Second: we need to understand how the salary is calculated. We need to discuss further why statutory holiday is not being paid and find solutions. Here we are not sure if we will succeed. It seems that in all Chinese factories statutory holidays are not paid to the workers, only to the management. We assume that the workers do not know that payment of statutory holiday is mandatory. It would be a great help if FW can show us how other factories are solving this problem.

Third Step: Having good documents in our hands we be ready to get an agreement with the factory how an extra price will be contributed to the workers. We need these documents in order to proof we can reach living wage.

## **4.2 Factory B / China (H.)**

This supplier is a sub-contractor of our agent B. has received a big order from Manroof in 2014 and the goods where shipped in 2015. In 2015 we have made the first FWF audit and the supplier has shown very good cooperation and improvements. This is also due to the very good skilled workers at the agent's company. They helped and explained to the factory management to make the improvements. We have received an excel file with a report about all improvements. This report is one of the best reports we have seen ever. - This factory is big (ca. 300 workers) and the management shows good cooperation regarding CSR. However, our orders with this agent/factory are very unsteady. In 2014 we have placed a very big order, followed by the year 2015 and 2016 where *no order* was placed. We hope we can continue doing business with this factory.

## **4.3 Factory C /China (X.)**

This supplier is in close contact with our CSR expert in China. The supplier has shown good cooperation. Because the factory is small (less than 10 workers), the knowledge about CSR is little and our CSR expert had to invest a lot of time and energy with explaining how things should be solved. – Our orders at X. Increased 20 % in 2016 and our leverage remains good.

Working hours: Factory has sent the working hour records of one worker for evidence and our CSR consultant has verified it.

Regarding living wage we could not find a solution yet how the supplier can improve it. He says that business was not going well in 2016. We need further discussions.

## **4.4 Factory D / China (C.)**

In 2016 our turnover with this factory decreased but we still have good orders with this factory. The factory relocated from a residential building to an industrial building with valid fire safety certificate in early January 2016 to ensure workers are working in a safe working condition. This was also due to that we informed him the situation he was working was not legal. So we also influenced in this decision. - The new production site is equipped with sufficient fire safety facilities, such as fire hydrants, fire extinguishers, fire exit signs, emergency lights, evacuation map, etc. Photos were sent to us for verification. Regarding the OT hours, the factory has started to reduce the working hours since October 2015. From the latest working hour records sent by the factory on January and February 2016, workers did not work on Sunday and have one day rest every week, and did not work on statutory holidays. The total working hours were less than 60 hours/week. Manroof and the factory agreed that the factory will send the monthly working hours records to Manroof as a monitoring procedure.

## **4.5 Factory F / China (G.)**

A FWF audit took place in 2015 and the working conditions were good. During the year 2015 this supplier offered a bad service and not competitive prices for the goods. In 2016 we have not placed any orders with this supplier.

## **4.6 Factory G / China (S.)**

The supplier's business is not going well. His turnover dropped dramatically. In addition, our orders with him are much smaller than a few years ago. They have dropped to 3.7 % of our buying volume. He has now only 2 workers. The audit results of the FWF audit 2015 were not good. It stated that some findings from the



audit in the year 2011 has not been solved and temporary workers receive a salary below minimum wage (RMB 15/hour, instead of RMB 15.69). Some easy open points from the FWF audit in 2015 have been already solved (COLP posted, Health & Insurances, working contracts). At this factory OT was never a problem.

The factory owner is not cooperating any more and we are not spending much energy with this factory anymore. The leverage will be lower in the next years anyway.

#### **4.7 Suppliers in other high risk countries**

During the past years we have placed some orders with suppliers located India, Pakistan and Turkey, which are certified by Max Havelaar or/and Global Organic Textile Standards (GOTS). Our order volume per year is very small and the orders are not placed every year. FWF members are ordering goods from a supplier in India. This is the only case where we benefit from the work of other FWF-members. Since last year, we have started in collecting information about FWF audits and improvements at this factory in India.

#### **4.8 Suppliers in low risk countries (own production)**

Until early 2015 we neglected the duty to visit all our suppliers in low risk countries. To follow our duty, we visited our main suppliers in low risk countries in July - November 2015:

- H.: external producer, garments, Germany
- W.: own production, head wear, Germany
- B.: home textile, Slovenia
- He: home textile, Austria
- F.: home textile, Austria
- R.: lanyards, Italy

All these suppliers filled out the questionnaire and posted the Labour of Practices. We have made photos and we have the documents in our physical file "low risk countries" available for inspection.

#### **4.9 Suppliers of external production (in Europe)**

We have suppliers who are external producers. The order volume is low, but steady. They are traders of textile products, but not producers. They sell textile products from different brands, also brands that are members of FWF. Of course, we try to order the brands that are members of FWF, but this is not always possible. We have informed the external producers about our membership at FWF.

### **5. Complaints procedure**

We have never received a complaint yet. Should we receive a complaint, we will try to solve the problem and open discussion with the supplier.

Manroof has a workflow in place to monitor that the Code of Labour Practices including the contact details of FWFs local complaints handlers are posted in factories where production is made.

## 6. Training and capacity building

### 6.1. Activities to inform staff members

All Manroof employees are aware of our membership of Fair Wear Foundation. The information flow within the company is very fast. All employees have been informed in detail regarding our FWF membership.

### 6.2. Activities to inform agents

We have only one agent and he showed very good cooperation with CSR work. This agent has very good trained workers which take care of the improvements in our bag suppliers factory H. Unfortunately we did not have any orders since last year.

### 6.3. Activities to inform manufacturers and workers

The management of our suppliers in risk countries has been informed by e-mail about Manroof's involvement with the FWF and the Code of Labour Practices. Our biggest suppliers are aware that we request constant social improvements. These suppliers have informed their workers about FWF and some WEP took place. - Despite the efforts of management, workers are still not very well aware of their rights and FWF's Code. We will intensify our work to inform the workers about their rights.

## 7. Transparency & communication

Manroof communicates its FWF membership on the website, catalogue and e-mails. We also mention it in our sales calls or written communications with clients.

## 8. Stakeholder engagement



There are no stakeholders engaged at Manroof or at our supplier's factories. Manroof uses resources from non-profit organisation such as FWF, Clean Clothes Campaign (CCC) and the media to get more general information about CSR issues.

## 9. Corporate social responsibility



Manroof acquired the license to produce Fairtrade Max Havelaar products in the year 2012. The license enables us to produce with Fairtrade Max Havelaar certified productions all over the world. The regulations are very strict and only selected factories meet the requirements. At the moment it is not possible to produce Fairtrade Max Havelaar certified goods in China. We have used the license to place orders in India, Turkey and Pakistan.

	FLO-ID: 27588
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	<p>Imo Control has certified Manroof since the year 2013. The certification entitles us to process and market textiles according to the Global Organic Textile Standard (GOTS) 3.0.</p> <p>We have used the license to source such products in India.</p> <p>Certificate of Compliance No. 120003, valid until 01.08.17</p>
	<p>In 2015 we have joined BSCI (Business Social Compliance Initiative). The reason is that we are ordering more and more non-textile products and Fairwear Foundation do not monitor these kind of products. Therefore, we also want to know and improve working conditions at these factories.</p>