



Social Report 2017 (10.04.18)

www.manroof.ch

Membership Start Date: December 2008

Reporting Period (Financial Year): 1.1.2017- 31.12.2017



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1. Manroof GmbH at a Glance: Facts and 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 custom-made products, we also process stock garments (especially T-shirts, polo shirts, bags, and jackets) with custom logos in silkscreen print or embroidery quality.

Established: 1999

Legal form: Ltd. (GmbH)

Owner and CEO: Jacques von Mandach

Employees 2017: 7

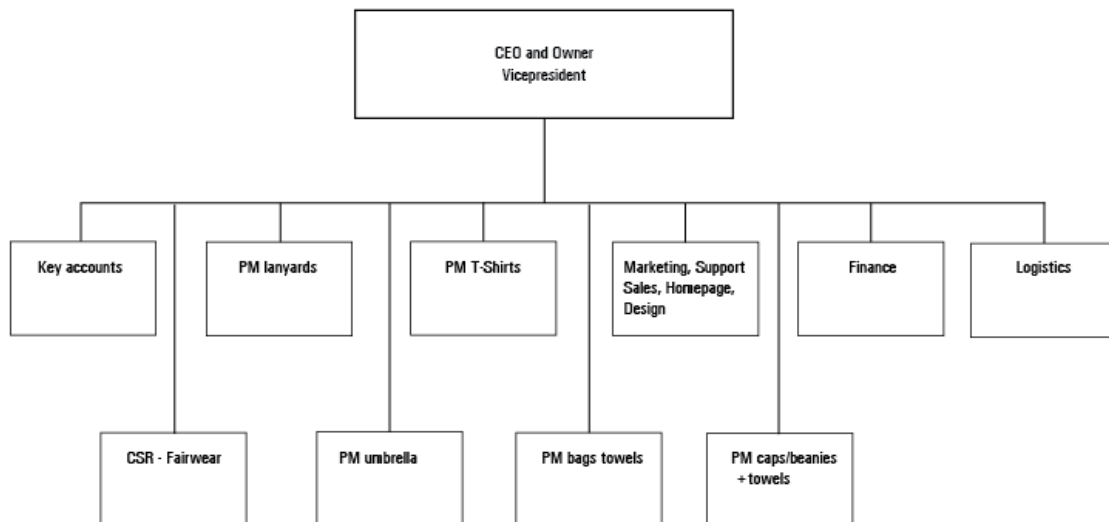
Products: lanyards, T-shirts, sweaters, caps, beanies, bags, jackets, etc.

Product use: retail and promotion

Clients: 95% in Switzerland (2017)

Country of production (2017): 66 % China, 19 % EU, 11 % Switzerland, 4 % India

Organisational chart: Manroof GmbH 2013, 07.04.14



2. Summary: Goals & Achievements 2017

The ongoing digitalisation of the markets, including our market for promotional goods, is changing the behaviour of customers and suppliers worldwide. More companies are ordering from suppliers online. To remain competitive, we need to compare our products and services to German and Chinese products.

In January 2017, we launched a new website to increase the visibility of our products and services. We are focusing our sales efforts on companies interested in sustainable products. Our turnover increased in 2017.

CSR Improvements – Success in Reducing OT, Living Wage Remains a Problem

We have been a member of the Fair Wear Foundation for 10 years and were able to gain a lot of know-how with regard to corporate social responsibility (CSR). So far, 16 audits have been carried out at our suppliers' factories. In 2017, one audit was done at supplier C. Another audit took place at supplier D. in January 2018.

In 2013, we started working with a Chinese CSR consultant (Mrs. Chenyan Liu). She helps us monitor our main suppliers in China and continuously verifies the improvements made at the factories. She visited several suppliers to discuss pending issues and possible solutions. She is an important factor for the success of our CSR monitoring system.

In July 2016 and in December 2017, our CEO and our Chinese CSR expert visited our main suppliers in China as well as potential new suppliers in China, Vietnam and India. During these visits, they communicated that fair working conditions were as important to us and our clients as excellent service and product quality. We openly discussed working conditions with the company managers and analysed the main issues to determine the best course of action.

Our CEO is planning his next trip to Asia in December 2018 to continue working on CSR improvements.

- ***Progress regarding health and security issues:***

The implementation of health and security standard improvements was quite easy. Most health and security issues have been resolved.

- ***Progress regarding overtime and living wage issues:***

In contrast, the avoidance of overtime (OT) and the increase of workers' salaries from a minimum to a living wage have proven to be more difficult to implement. For the past three years, we have been focusing our efforts on finding a solution to these two issues.

We are happy to report three main improvements regarding OT. First, factories reduced working hours to less than 60 hours/week. Second, workers are entitled to one day off for every seven-day period. Third, suppliers are now maintaining Excel files with monthly working hours for each worker. Adherence to the standards is monitored by our external consultant. Due to the reduction in production errors, the company boards recognized the advantage of having motivated and focused compared to tired and exhausted workers. The reduction of OT is a great success for all stakeholders.

The most difficult task is lifting the salary to a living wage. The fact that the living wage in China is increasing every year makes it even more difficult. Since 2016, we have been analysing the living wages at factories P., C. and X.

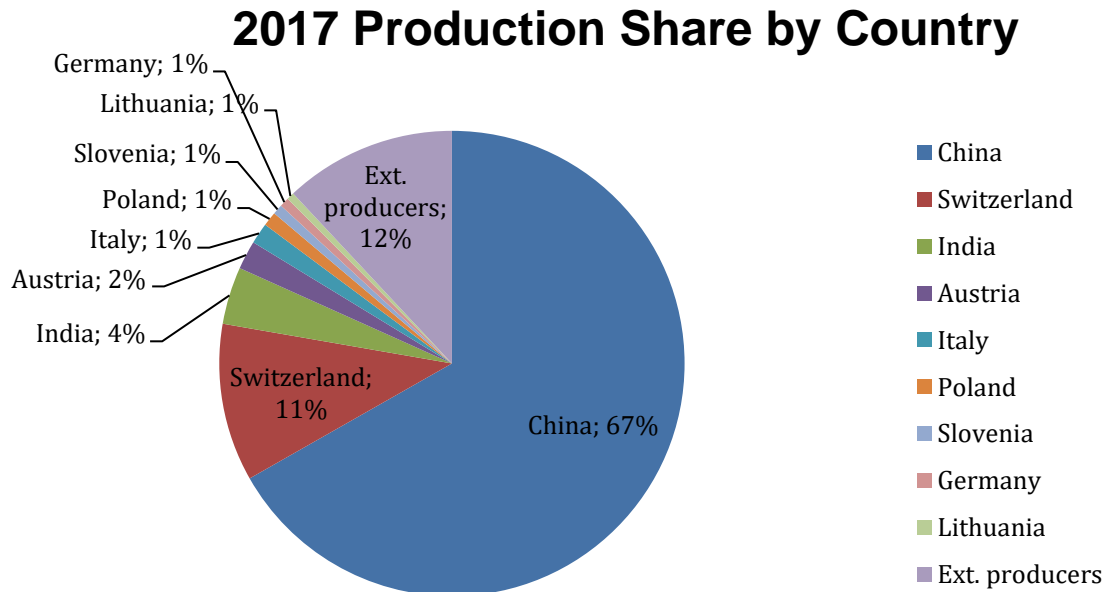
We are proud of our success regarding CSR. Our sustainable long-term relationships with our suppliers, our high leverage, and the cooperation of the suppliers are helping us with the implementation of our clearly defined CSR strategy. Unfortunately, we had one setback at the turn of the year: After the FWF audit in November 2017 at C. and our CEO's follow-up visit in December (the FWF audit was not available during the visit), factory C. owner decided to abandon our CSR standards. This is a huge disappointment since we have been working together for over 10 years.

One of our goals is to work with suppliers who can and want to adhere to our CSR standards. For that purpose, we have been exchanging supplier information with several other Fair Wear Foundation members and defined a list of potential new factories.

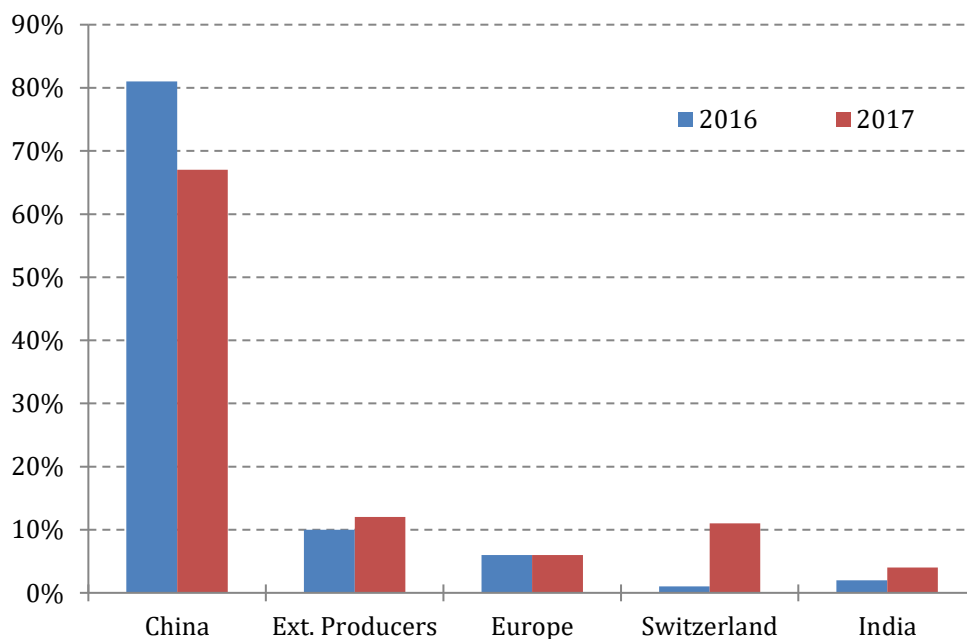
Production Share 2017: 93% from FWF-approved suppliers or low-risk countries

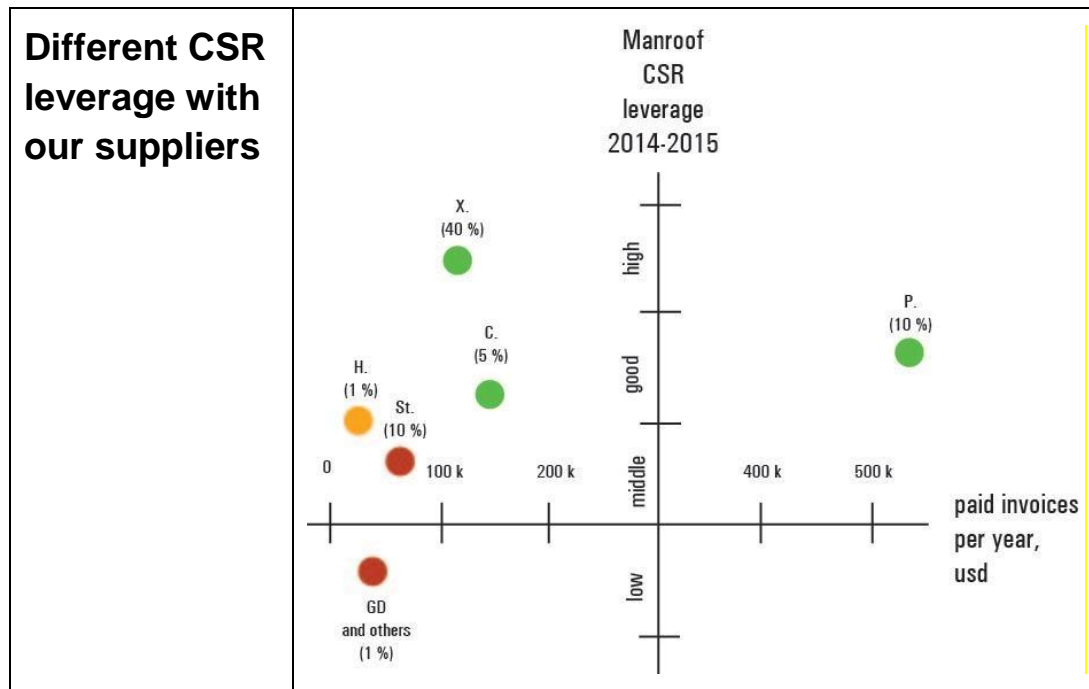
67% (-11%) are products from China, 12% (+0%) from external producers (mainly Asia), 1% (+10%) from Switzerland, 6% (+0%) from Europe, and 4% (+2%) from India.

68% (-7%) of the companies have been audited by FWF, 17% (+5%) are from low-risk countries, and 8% (+1%) are from external producers who are FWF members or sell brands of FWF members. Overall, our threshold in 2017 stood at 93% (-2%). Very few of our suppliers in high-risk countries were not audited by FWF (2017: 2.1%, 2016: 2.9%).



Production Share Development by Region





We encourage our suppliers to attend CSR seminars in China.

Our CEO, Jacques von Mandach, was appointed lead coordinator. Ms. Zuzana Valient is responsible for the FWF database and is assisting him in his undertaking. In February 2017, she attended a seminar at FWF in Amsterdam to gather know-how about monitoring our suppliers. Our CEO visits the suppliers once a year.

In March 2018, Manroof hosted the last FWF Swiss annual meeting in Switzerland. The eight Swiss FWF members and the Fairwear team discussed various topics. We observed that the FWF organisation is not widely known in Switzerland and urged all Swiss FWF members, stakeholders and the FWF team to take measures to improve awareness. First and foremost, we need to increase our communication efforts. One option would be to become a member of Swiss Fairtrade (SFT, www.swissfairtrade.ch). This organisation would be the perfect vehicle to make FWF known more widely. SFT organises various events and communicates actively. Also, FWF needs an official subsidiary in Switzerland. This could be done at the NGO 'Brot für Alle'. Other options would be to become a sponsor of the campaign 'Fair Trade Town' (www.fairtradetown.ch) or to create a Swiss FWF member website. We are asking the FWF and all members to discuss the options for raising the overall awareness and popularity of FWF in Switzerland. We are hoping to get first results by the end of 2018.

3. Sourcing Strategy

3.1. Sourcing Strategy & Pricing

Manroof strives for maintaining long-term business relations with its suppliers. It is our goal to know and understand the supply chain and production method. It is often a challenge to convince suppliers to implement new procedures and standards. We reduced the number of suppliers in order to increase our

negotiating power by raising the relative order share. Since 2013, we have been mostly working with the same suppliers. By keeping the same suppliers, we were able to improve our relationships and work more closely on FWF issues. In 2017, we placed small orders with new suppliers.

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

To find new reliable suppliers, we are cooperating with other FWF members in Switzerland. We contacted a few other FWF members and shared factory details. Some factories have the potential to become new Manroof suppliers.

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

In 2015, we became a member of amfori (BSCI). Our clients have been ordering more non-textile products, and we want to know and improve working conditions of all suppliers. We performed one amfori (BSCI) audit at an umbrella factory in 2015. Our collaboration with BSCI provides us with further insights on how to deal with CSR issues.

3.2. Organisation of the Sourcing Department

The management is responsible for sourcing. All our sales agents are in direct contact with the suppliers and act as purchasers. There were no notable changes regarding suppliers last year.

3.3. Production Cycle

Production at Manroof is done using the just-in-time (JIT) method. All products are made to order. After specifications are defined, a sample is manufactured. The standard production lead time is 2-3 weeks after the sample approval.

3.4. Supplier Relations

Our membership at FWF changed our purchasing method. We prefer working with suppliers who have a production site that meets the following criteria:

- Located in Europe: No social audit report is required but is welcome.
- Located in low-risk countries: certified by Fairtrade (Max Havelaar), Gots or SA8000. Depending on the purchase volume, we will consider an FWF audit. Currently, we have only 2 suppliers who have such a certification, and the volume is very low.
- Located in high-risk countries: We will plan an FWF audit once the order volume reaches a substantial level.

When searching for new Chinese suppliers, we prefer audited suppliers. Any audit or certification is welcome, for example: ISO9001, BSCI, Sedex, SA8000, etc.

3.5 Integration of Monitoring Activities and Sourcing Decisions

When contacting new suppliers, we also check whether they have an existing audit report or certification (ISO 9001, BSCI, Sedex, FWF audit, SA8000, etc.). Any kind of documentation helps us evaluate new suppliers. As soon as we believe that the purchase volume will increase substantially, we will ask the supplier for an audit to verify their working conditions.

Since becoming a member of FWF in 2008, we performed 16 FWF audits, all carried out in China. 66% of our textile products were manufactured by audited producers in China in 2017. Our supplier database shows our relative production share for each supplier and the date of the audit. Our CEO visited the four main suppliers and discussed the CSR issues in the past years.

4. Coherent System for Monitoring and Remediation

1.1. Factory A/ China (P.)

Most of Manroof's orders (51%) are placed with this supplier, and the leverage is good. The last audit was carried out in July 2016. Our CEO was present at the factory for one day during the audit. Chenyan Liu is in close contact with the person responsible for CSR and is monitoring OT and wages. – Many other audits were done at P. (BSCI, Sedex and others). Unfortunately, we never had the impression that the other audits were helping our CSR work. Supplier P. is taking our concerns and the FWF Code of Labour Practices very seriously. They are fully cooperating and documenting their improvements with relevant documentation and photos. We are maintaining a good relationship with the management and trust that they will continue to improve working conditions. The biggest challenge remains achieving the living wage.

Over Time (OT)

We randomly keep checking workers' monthly working hours. Our agreement with the factory owner is to limit the increase in OT. We are regularly checking the documents and noticed that OT increased during some periods. The discussion with P. on the root causes and the avoidance of OT needs to be continued. Our leverage has been slowly increasing to a medium level.

Living Wage

In 2016, we started focusing on the living wage. We collected payment documents and exchanged many emails about this issue. - The monthly Asia Floor Wage amounted to 4547 RMB in 2017*, which means that workers should get this salary if they work 8 hours per day, 5 days per week. In Factory P. however, the workers are paid less. The factory owner stated that the workers were paid the approximate industrial wage and the average wage in the neighbourhood. The factory explained that it would be difficult for them to change the whole remuneration system. Manroof is willing to pay more to support the living wage because other clients of this factory are not showing the same commitment and support. Manroof is leading a proactive discussion with P. to support the living wage.

*<https://asia.floorwage.org/what>

After many emails with P., we concluded that the statutory holidays are not paid and that we need to discuss this subject in further detail. The factory owner says that he is paying statutory holidays by increasing the rate per piece. Still, local regulations are not yet met.

We calculated that the price should be about EUR 0.20/bag, which is feasible. Before we start paying an extra price, we need to achieve 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 employment contracts. We found that, although working contracts are valid, they are not stating the salary calculation method and contain very little information. We assume that neither the factory nor the workers are differentiating between the compensation of normal working hours and OT.

Second, we need to understand how the salary is calculated. We need to discuss why statutory holidays are not paid, and we need to find solutions. However, we are not sure if we will succeed. It seems that in general, Chinese factories do not pay wages to workers for statutory holidays because they are paid per piece. Only the management receives compensation for statutory holidays. We assume that the workers are not aware of the fact that the payment of statutory holidays is mandatory. It would help us if the FWF could show us how other factories are solving this problem.

Third, we need extensive documentation to be able to reach an agreement with the factory on how paying an extra price will benefit the workers. We need these documents as proof that we can reach a living wage.

4.2 Factory B / China (H.)

This supplier is a subcontractor of our agent B. He received the last large order in 2014. Since then, we have only been placing very small orders. In 2017, the threshold was only 0.77 %. Therefore, this supplier is not a focus of our CSR work. – In 2015 however, we performed an FWF audit. The supplier was very cooperative and made many improvements. This is also due to the highly skilled workers at the agent's company. They worked with the factory management on implementing the improvements. We received an excel file with a report about all the improvements. This report is one of the best reports we have ever seen. - This factory is large (about 300 workers) and the management is cooperating well regarding CSR. We will keep in touch with this supplier, and if we place new orders in the future, we are sure that the cooperation regarding CSR will be good.

4.3 Factory C1 and C2 / China (X.) and China (S.)

This supplier is in close contact with our CSR expert in China. The factory is small (less than 10 workers) and knowledge about CSR is limited. Therefore, our CSR expert spent a lot of time and energy to explain how the issues should be resolved. – Our orders at X. dropped sharply. However, cooperation in the framework of CSR has proven to work well.

Working hours: The factory sent the working hour records of one worker for evidence. Our CSR consultant verified them.

Living wage: We were not yet able to find a solution on how the situation could be remedied. The supplier says that business has not been going well since 2016. Due to diminished business in 2017, the workforce is not as stable as before. We need further discussions.

We learned about an interesting alternative to our supplier X. from another FWF member. We are in contact with this new textile factory (S.), and they did an FWF audit.

4.4 Factory D / China (C.)

We have been ordering caps and beanies with this factory for a long time, ten years to be exact. In November 2017, an FWF audit took place. Unfortunately, the management refused to provide many important documents during the FWF audit. We see this as a breach of trust and will act accordingly in our sourcing decisions.

With factory C., many good results were achieved in previous years. In early 2016, factory C. relocated from a residential building to an industrial building with a valid fire safety certificate to ensure safe working conditions. In the past few years, we have been discussing the OT reduction and salary increases.

In 2017, we have already been looking for alternatives to factory C. We found two suppliers in China: factory K. and factory Y. We placed small orders with them and will check on the quality of their services and products as well as their willingness to adhere to our CSR standards. After gaining some experience with them, we will decide on which factory to place more orders with. These factories will replace the orders of factory C.

4.5 Factory F / China (G.)

An FWF audit took place in 2015 and the working conditions were good. During the year 2015 however, this supplier's services were bad and his prices were not competitive. We did not place any orders with this supplier in 2016/17. We decided to dismiss this factory, wherefore it will not show up in our social report going forward.

4.6 Factory G / China (S.)

The supplier's business is not doing well. His turnover dropped every year: from 3.7% in 2016 to 2.8% in 2017. He is now left with only 2 workers. The 2015 FWF audit results were not satisfying. The report stated that some findings from the 2011 audit have not been solved and that temporary workers were earning a below-minimum-wage salary (RMB 15/hour instead of RMB 15.69/hour). Some minor open points from the 2015 FWF audit have already been solved (COLP posted, health & insurances, employment contracts). At this factory, OT has never been a problem.

The factory owner stopped cooperating, wherefore we are not working with this factory anymore. Our leverage will diminish anyway in the coming years. This factory will be deleted from our future social reports.

4.7 Factory H / India (D.)

We started ordering T-shirts with this supplier in 2017. This factory replaces the orders we used to place with Indian factory A. because we were not satisfied with the service provided by factory A. The service and communication quality of Factory D. is much better. Also, this factory is much smaller compared to the previous factory. In December 2017, our CEO visited the new factories. The owner was able to explain in detail the process and the CSR challenges in this factory. The factory's Sedex audit report is outstanding. They are also certified by Fairtrade and GOTS. We ordered an FWF audit which took place in January 2018. The audit report revealed many issues and strongly contradicts the existing Sedex report. The owner of the factory promised to take the pending issues seriously and to report on the improvements. – Finally, it is remarkable that the threshold produced in India increased from 1.6% in 2016 to 3.6% in 2017. India provides us with interesting alternatives and options to China (67%).

4.8 Factory D / Switzerland (Ou.)

The production of textiles in Switzerland marks a milestone in our CSR efforts. In 2017, we launched the production of textiles in Switzerland and achieved a significant production share of 11%. We invested a lot of time and effort to establish a good manufacturing supplier in Switzerland. The factory is also a social organisation and employs workers who have problems finding a new job in the Swiss market. We should be able to keep the production share of 11% stable in future years.

4.9 Suppliers in Other High-risk Countries

During the past few years, we placed some orders with suppliers located in India, Pakistan and Turkey. They are certified by Max Havelaar and/or Global Organic Textile Standards (GOTS). Our annual order volume 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 were able to benefit from the work of other FWF members. Since 2017, we have been collecting information about FWF audits and improvements at this factory in India.

4.10 Suppliers in Low-risk Countries (Own Production)

Until early 2015, we have been neglecting our duty to visit all our suppliers in low-risk countries. To catch up on this, we visited our main suppliers in low-risk countries between July and November 2015:

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

All these suppliers filled out the questionnaire and posted the Code of Labour of Practices. We took pictures and keep the documents in our physical file "Low-risk Countries" available for inspection.

4.11 Suppliers of External Production (Europe)

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

5. Complaints Procedure

We never received any complaints. Should we receive a complaint, we will try to solve the problem and to lead an open discussion with the supplier.

Manroof has a workflow in place to monitor that the Code of Labour Practices, including the contact details of FWF's local complaints handlers, are posted at the factory production locations.

6. Training and Capacity Building

6.1. Activities to Inform Staff Members

All Manroof employees are aware of our membership with the 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. Our cooperation within the CSR framework is working very well. This agent has highly skilled employees who 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 suppliers' managements in high-risk countries were informed about Manroof's involvement with the FWF and the Code of Labour Practices by email. Our largest suppliers know that we demand constant social improvements. These suppliers informed their workers about the FWF and some WEP took place. - Despite the efforts of the managements, workers still do not know their rights and the FWF Code very well. We will intensify our efforts to inform the workers about their rights.




7. Transparency & Communication

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

8. Stakeholder Engagement

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

9. Corporate Social Responsibility

	<p>In 2012, Manroof acquired the license to produce Fairtrade Max Havelaar products. The license enables us to produce with Fairtrade Max Havelaar certified productions all over the world. The regulations are very strict. Only selected factories are meeting the requirements. At this moment, it is not possible to produce Fairtrade Max Havelaar certified goods in China. We used the license to place orders in India, Turkey and Pakistan.</p> <p>FLO-ID: 27588</p>
	<p>Manroof has been certified by Imo Control since 2013. The certification entitles us to process and market textiles according to the Global Organic Textile Standard (GOTS) 3.0.</p> <p>We used the license to source products in India.</p> <p>Certificate of Compliance No. 120003, valid until 01.08.18.</p>
	<p>In 2015, we joined amfori/BSCI (Business Social Compliance Initiative) because we are increasingly ordering non-textile products, and the Fair Wear Foundation does not monitor these products. Therefore, we want to know and improve working conditions at the non-textile factories as well.</p>