

LaDress social report

Reporting period (Financial year: 1 January, 2019 – 31
December, 2019)

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Organisational chart



Summary: 2019 goals & achievements

In 2019 we are mainly (97%) sourcing from countries within in the EU. Our sourcing countries are Romania (94%), Bulgaria (3%), China (2%) and Pakistan (1%). We have identified all production locations, including subcontracting locations. We have made agreements with our production agents to disclose us which subcontracting locations are producing our orders. All production locations are aware of our FWF membership. Each supplier has received the Code of Labour Practices in their local language and we have received signed copies. Also we have photographic evidence that the worker information sheet has been hung on the wall at each factory.

LaDress has been minimizing the amount of different styles in 2019. Therefore the number of suppliers have decreased. This has a positive effect on the attention we can give to the relationship of our current suppliers. In this process LaDress has looked critically at the social compliance status of the suppliers. We were not able to sufficiently monitor the factory, because of the lack of collaboration of the agent placed the orders for us and/or the Bulgarian supplier. Lack of willingness to cooperate in this field and therefore the impossibility to monitor, together with other issues has led LaDress to terminate the relationship with the agent and the supplier. Below, we will elaborate on this case.

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Pieter de Ridder, CEO of LaDress states that people are the most important asset of LaDress as a brand and we want to take good care of them, also in the long term. This includes the people directly employed by LaDress, but also the people who work in our supply chain. By centralizing production, we can have more impact on the employment conditions at our main supplier. In addition to this, we work closely with our now exclusive agent, who is fully aware of our requirements and is committed to adhere to them. Taking care of employees in our view does not only lie in increasing wages (which of course should be at an acceptable level); it also lies in supporting them with education and development and thus increasing job satisfaction. And more skilled workers can be rewarded with higher wages. Because happy people increase our brand's image, but are also more productive in their jobs, and that is beneficial to our organization.

A key achievement regarding social compliance in 2019 is the continued relationship with our biggest supplier. This enables us to continuously and constructively work together towards more social compliance. The supplier's willingness is evident due to his immediate CAP follow-up and his openness to organize a Workplace Education Programme (WEP) at the factory. Also this supplier has given us insight into the wages: on average at least a minimum wage is paid.

A failure related to social compliance would be the timely and systematic implementation of our sourcing manual. In 2019 we sourced at production locations in Asia via our Dutch agent, before social compliance was thoroughly checked. We have started this collaboration in the beginning of 2019. For the coming year it is our goal to structurally implement KPI's before sourcing at a new production location.

Sourcing strategy

SOURCING STRATEGY & PRICING

The sourcing strategy of LaDress changed in 2019: the salespoint was mainly via own channels (online and the boutiques), but now LaDress started to sell its products via wholesale channels at a larger scale. The production of the wholesale orders is scheduled at times when regular order production is low, thus achieving a continuous order flow for our Romanian supplier. Our supplier in Romania is now able to produce bigger number of the same style, spread over the year.

LaDress analyzed the size of the supply chain and decided to consolidate: a small and simple supply chain with trusted suppliers is the result. Most of our production is done at CMT ateliers. Our ateliers are selected for their authenticity, skills, expertise and eye for detail. We source for artisanal craftsmanship; this is more important to us than finding the lowest possible price. This is one of the

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reasons that we source in European countries and we rarely source in countries overseas. Good quality and working conditions are primary focus. We have developed a sourcing manual for new production locations, describing the steps that we should follow when we start working with a new production location. We believe that long working relations with suppliers help to increase trust and leverage. As explained, the vast majority of our order volume goes to our main supplier in Romania, with whom we have the longest working relationship (more than 8 years). Some of the production locations are sourced through agents with a few nominated production locations. The orders that we place there are small, but the agents have leverage at the production locations as they are placing more orders for different brands. Our agent currently works with our sourcing manual, ensuring we receive audit reports from new production locations before sampling starts.

PRODUCTION CYCLE

We produce all year round in a continuous order flow. This way we can ensure a steady capacity at our main supplier and guarantee a steady order volume each month. At our main supplier, we have booked a monthly capacity. This way of working is typical for LaDress and is an important part of our purchasing strategy. We do not work with seasonal collections, but instead produce and introduce styles the whole year round. When a delivery date cannot be met, we can be flexible with regard to our introduction schedule. At the end of 2019 we received a verbal confirmation of our biggest supplier in Romania that he agreed to plan the Workplace Education Programme (WEP) in 2020. This WEP may be seen as a way to support reasonable working hours from a bottom up perspective: the workers becoming more aware of their rights, including their rights with regard to working hours. In addition, with regard to our Asian suppliers (China & Pakistan), we have planned a strategy with our agent to avoid peak seasons at these factories in order to reduce the risk of overtime.

FACTORY RELATIONS

We aim for long-term working relationships with our suppliers. Last year we have evaluated our suppliers with regard to communication, openness, social compliance and punctuality. An important finding of the evaluation was that our supplier from Bulgaria was not able to meet standards. After multiple attempts to open a dialogue, we unfortunately felt compelled to end the partnership with the agent and the supplier. At the moment we are focusing on our main supplier, who is based in Romania. The items we were produced in Bulgaria are currently being produced by our Romanian supplier. On an equal footing we join our forces to continuously improve the working-conditions in the fashion industry. We have adopted a *responsible exit strategy* in our policy.

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Our sourcing agent has suggested options for RMG manufacturers for specific product groups. We have visited the headquarters in the Netherlands to view products, discuss quality, prices and quantities. Our sourcing agent has discussed the FWF documentation with the Asian suppliers and asked about existing audit reports. In some cases, these reports were shared right away and the questionnaire has been filled in by the production locations.

INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS

Due to monitoring activities, we have been able to confirm that our main production partner is paying at least minimum wage on average to the employees. Most wages appeared to be lower than industry average. This gives us the opportunity to address this and provides a more well-founded argument to take appropriate steps to increase the wages. In 2019, the finding did not change anything yet.

As we were looking for production locations that could make specific products and styles for LaDress, we have decided to work together with a Dutch agent. If LaDress would directly place these orders at the suppliers, there would hardly be any leverage because the order volume of these styles is very small. LaDress is aware that there is a higher risk of workers rights violations in China and Pakistan. As the agent has a longer relationship with the Asian suppliers, the leverage to improve working conditions may be increased. Together with the CSR manager of the agency, we discuss social compliance, bundle our strength to improve working conditions and make sure working conditions are audited regularly.

Due to the lack of collaboration to improve monitoring activities and other reasons, we have decided to end our relationship with our Bulgarian supplier. The agent that sourced for us at the Bulgarian factory and/or the supplier itself, was not collaborating with us to start monitoring activities, despite multiple attempts. We have not been able to identify whether this was caused by the agent, the Bulgarian supplier or both. Continuing this business relationship, would lead to big risks that we would not be able to solve without the agent's and suppliers' collaboration. Besides this, we have not encountered an actual negative impact within our supply chain that led us to terminate a working relation or impose strict measures. We have worked on our Corrective Action Plans (CAP) in Romania, which led to several improvements with regard to for example fire safety. In general, they are compliant, so we have no reason to impose any measures or restrictions. We do not have an actual reward system in place, but we reward compliance with loyalty.

Coherent system for monitoring and remediation

FACTORY A/COUNTRY ROMANIA

Our main supplier is based in Romania. We have informed them on the Code of Labour Practices in the beginning of our FWF membership and we have received a signed questionnaire from them. We have visited this production location regularly with different members of LaDress staff. We have organised a verification audit at this supplier in 2019. Audit results have shown that there are no risks in exploitation of child labour and that employment is freely chosen and they support reasonable hours of work. Areas that had points of improvement are: health & safety, freedom of association, discrimination of employment and legally binding employment relationship. Currently at least a minimum wage is paid to employees.

The CAP follow-up has been discussed via a phone meeting with factory management and the majority of the points of improvement have been improved. The subject of wages has been talked about many times and hopefully we can take steady steps towards a living wage in 2020. We have used the FWF wage ladder to get an insight in the wages in Romania.

FACTORY B/ BULGARIA

In 2019, we have repeatedly requested our agent and Bulgarian supplier (before and after order placement) to fill in the questionnaires and to make the worker information sheet visible for their employees. Every time the supplier confirmed to do it, however, it never happened. Because of this and other reasons, together with management and buying of LaDress has been discussed and decided to end the relationship. We have therefore not continued our monitoring activities at this location.

FACTORY C & D/ CHINA

Our orders in China are placed via our Dutch agent. There are two production locations in China where orders have been placed in 2019. These locations are BSCI audited because the agent arranges this. In 2019, we have not been involved in follow-up of these audits. We have made sure that the factories know about FWF membership: we have sent all FWF documentation; FWF code of labour

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practice, letter to announce membership, questionnaire and FWF worker information sheet. We also announce that we are a signatory of the Dutch AGT and explain what this entails.

FACTORY E/ PAKISTAN

Our orders in Pakistan are placed via our Dutch agent. This location has been BSCI audited because the agent arranges this. In 2019, we have not been involved in follow-up of these audits. We have made sure that the factory knows about our FWF membership: we have sent all FWF documentation; FWF code of labour practice, letter to announce membership, questionnaire and FWF worker info sheet. We also announce that we are a signatory of the Dutch AGT and explain what this entails.

EXTERNAL PRODUCTION

N.A. in 2019.

Complaints handling

We did not receive any complaints.

The worker information sheet has been made available to all production locations, on a visible place in local language. We have photographic evidence for this. It might be good to stress the importance and explain about the sheet during the upcoming WEP.

Training and capacity building

ACTIVITIES TO INFORM STAFF MEMBERS

In 2018, CSR manager hosted the last official training for shopmanagers on CSR, and spoke amongst others about FWF membership. In 2019, LaDress published its CSR policy (indeed including FWF membership). This publication has been verbally communicated to LaDress team and everyone was requested to read it.

ACTIVITIES TO INFORM AGENTS

Our agent is informed by our FWF membership at the start of the collaboration. All FWF documentation (as mentioned in the sourcing manual) is shared and discussed with the agent.

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Whenever they source at a new production location for us we ask them to share this information with the production location, fill out the questionnaire and perform the health & safety check. We also ask them to provide us with pictures of the production location and BSCI audit results.

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

In 2019, our Romanian supplier has given verbal confirmation of being open to organize WEP at the factory. The WEP is planned for 2020. Furthermore, as mentioned above, we have sent out worker information sheets in the appropriate languages to our atelier. With our main supplier we have regular meetings about FWF.

Information management

We have improved our system for maintaining documentation from our suppliers. We have created a document with an overview of all production locations. In this document we also track the compliance status of the production locations.

We have identified all our production locations including subcontracting locations. Our agents have agreed to inform us about the production location where our orders will be produced. All active production locations have signed our subcontracting agreement. In our CSR calendar we have planned a half-yearly follow-up to ask our suppliers if there are any developments with regard to subcontracting. We have included a chapter with guidelines about subcontracting in our supplier manual.

Transparency & communication

Our FWF membership is communicated on our website. The annual social report is published on FWF website. In 2019 we published a sustainability report, sharing our CSR efforts. This is a mandatory part for third year signatories of the Dutch Agreement for Sustainable Textiles and Fashion. As we entered the third year as signatory and therefore created and published a sustainability report.

Stakeholder engagement

Most important stakeholders in 2019 were Fair Wear foundation, Modint and the Dutch Agreement on Sustainable Garments and Textiles. We report regularly to all these stakeholders and ask for advice and information on various CSR topics. We have consulted the FWF country studies and also those of Clean Clothing Campaign to get insights into risks of our countries of production.

Corporate Social Responsibility

We are a signatory to the Dutch Agreement for Sustainable Garments and Textiles. So, we are working on our due diligence, risk management, improvement plan and communication. We have published our production locations in the aggregated production location list on the AGT website. We have also researched our raw material use and listed them according to impact and risks.

Because of the high animal abuse risks we have decided to never use the following materials in our collections: fur, exotic leather, angora and mohair. We have signed the “fur-free declaration” of the Bont voor Dieren and have been added to the list of animal friendly brands bij PETA.

We donate overstock dresses to “Dress for Success”, a non-profit organisation that provides free clothing and advice to people with a minimum wage income or less for job-interviews.

Our website best describes our other CSR activities that were undertaken in 2019:
<https://www.ladress.com/nl/we-care/>