

S-GARD SAFETY GARMENTS

- Hubert Schmitz GmbH

social report

Reporting period (Financial year: January 1st – December 31st, 2023)



COMPANY WEBSITE www.s-gard.de

FAIR WEAR MEMBER SINCE JANUARY 1ST 2016

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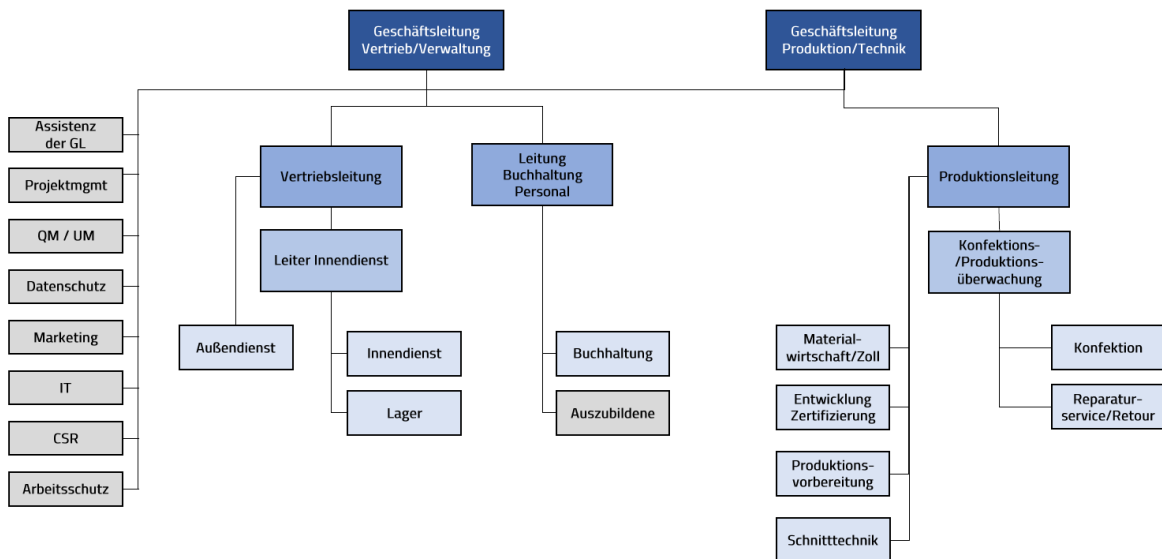
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Organisational chart



Summary: 2023 goals & achievements

2023 was a year of strong growth for S-GARD after a troubling period with the Covid-19 pandemic, and the following shortage of raw material.

This allowed S-GARD to return to its usual audit cycle and work on the transformation of its Fair Wear related work, initiated by the change of the Fair Wear strategy and more specific the Brand Performance Check indicators.

S-GARD placed its focus in the implementation of risk analysis into the business processes and setting up broader strategies. However, the transformation required by Fair Wear is hard to keep up with, while maintaining the required daily work for a brand like S-GARD.

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S-GARDs responsible business conduct policy was published, and more policies will follow.

We fully support the Fair Wear Strategy, but it shows in our results, that S-GARD needs time to adapt, and the already started processes, like the living wage project, are getting slowed down by it.

Sourcing strategy

HUMAN RIGHTS DUE DILIGENCE

As part of its human rights due diligence (HRDD) process, S-GARD is working to improve its risk assessment system in alignment with OECD guidelines.

It is a big step for S-GARD to develop a person-independent system which will improve transparency and objectivity. For S-GARD the focus is clearly on its main production location Tunisia, followed by Türkiye. The European based production locations in Poland and Germany have a lower priority due to lower risk levels.

SOURCING STRATEGY & PRICING

Type of product: PPE- personal protective equipment (clothing only).

Process and facilities: the entire process of development purchase logistics and quality control is conducted from Heinsberg in close cooperation with its own platform organization (organizes production, supervision, cutting, material allocation, etc.) called ABH with direct connection to 5 different sewing-factories in Tunisia. Basically, all firefighter products are produced in Tunisia.

Furthermore, there is a smaller production facility in Poland for small orders/ urgent orders / repair service.

Persons involved:

- Strategic planning and company leadership: Mr. Bruno Schmitz, Mr. Hubert Schmitz
- Production: Mr. Hubert Schmitz, Mrs. Lea Wintgens
- Fabric purchase: Mrs. Angelina Busch
- Customs: Mr. Lukas Limburg
- Development: Mr. Jonas Kuschnir, Mrs. Vera Bongard

Supplier relations: averaging 10+ years (Tunisia). There are frequent visits per year conducted e.g. project handover's, production inspections, quality controls, introduction of new manufacturing techniques etc.

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Pricing strategy: Mr. Hubert Schmitz and Mrs. Vera Bongard negotiate working times and payment per order with Mr. Atef Bennani in an open process. If a product is being modified, the manufacturers price level can be adapted as often as necessary.

Furthermore, prices directly depend on order quantity and complexity of the models. This is constantly negotiated in an open dialogue with Mr. Atef Bennani. There are no fix prices at all. Sewing minutes are neither consequently captured nor the decisive basis for price discussions.

Organization of the sourcing department

Mr. Hubert Schmitz, Technical Director at S-GARD, is responsible for order and stock management.

Mrs. Lea Schmitz supports him as Head of Production.

S-GARD employs two specialists- one of them responsible for all fabric purchase activities and the second person affected with customs handling.

PRODUCTION CYCLE

S-GARD is producing a mixed portfolio from standard articles and client specific-individually designed- items. Total production quantity per year is approximately 200.000 pieces of garments. Standard lead-time is between 6-12 weeks, depending on complexity and urgency of the orders, but can exceptionally stretch to 16 weeks.

Seasonal variations appear from September to March (increasing demand, high season) and April-August (decreasing demand, low season). There is no forecast process possible since production is a running procedure. Working times and capacities are carefully and closely coordinated at S-GARD. The annual low season is mostly used to refill the stock with standard items and to run special projects.

Planning is done together with the suppliers. Mr. Atef Bennani is permanently corresponding with the S-GARD headquarter and the sewing factories to arrange smooth processes. Planning/ordering is weekly procedure.

Specific lines are not reserved, all partners (except Hanitex) work exclusively for S-GARD with 100% of their possible performance.

Production cycle:

1. Purchase of all raw material and trimmings from Heinsberg, first incoming goods quality inspection and raw material stock keeping. No local sourcing is allowed by the rules of ISO 9001 and the European PPE guideline.
2. Overnight (truck and ferry) shipping from Heinsberg to Tunisia via Italy within 2-3 days.

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3. Delivery to the Tunisian platform ABH. At ABH: order collection and allocation to the different sewing facilities. Then fabric cutting process, entire handling and manufacturing process, readymade garments quality control.
4. Onward transport to S-GARDS exclusive sewing partners Hanitex, MRM, Jolie, ABH Extension and Nobel, here: sewing, seam sealing, etc.
5. Backward transport to ABH, incoming goods 1st quality check, then export to Germany.
6. At Heinsberg: 2nd quality examination of the ready garments before delivery.

FACTORY RELATIONS

In general: as addressed previously S-GARD is running long-term cooperations, in some cases with more than ten years, and only carefully and well-prepared changes the supplier structure; following the principle of trust and confidence.

In case of new production sites, S-GARD firstly evaluates the three most important performance indicators: production capacity, price level and quality by the use of trial orders.

After passing these three significant factors successfully S-GARD considers communication skills, transport (location, etc.).

After that we focus on transparent social (including safety at work, payment, working times/ shifts, etc.) and distinctive environmental standards.

Unlike the years before decisions are no longer been taken only on the basis of personal contact, individual impressions and feelings but instead of this with an evaluation checklist, containing both social factors and all other relevant factors as addressed before.

The final decision regarding the selection of new suppliers is up to Mr. Bruno Schmitz, Mr. Hubert Schmitz and Mr. Atef Bennani.

S-GARD has worked out a code of conduct paper, which is distributed among the suppliers for countersigning (prevention of sub-contracting, preservation of human rights, etc.) and a comparison chart to evaluate a) the social compliance and b) social related factors including safety and health of all producers.

INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS

Since S-GARD did not source from any new factories in the past year, the influence of monitoring activities on sourcing decisions is not reliably perceivable.

Coherent system for monitoring and remediation

Negative findings influence the sourcing strategy, mainly in the long run, S-GARD requests a partner-like and fair cooperation and can efficiently take influence on the partners business e.g. through order volumes etc. Short-term actions can be taken as well.

Despite of that we know most suppliers for many years or strive to build reliable partnerships. This is what makes us sure that they cooperate in an efficient way with us since both sides are in reciprocal dependency.

RISK ASSESSMENT

S-GARD build and will continuously improve a risk assessment system following the Fair Wear human rights risk due diligence cycle. Core of the system is S-GARDs responsible business conduct policy, published in March 2023. This is followed by a systematic country and factory risk assessment within the Fair Wear Member Hub. Since the implementation of the risk assessment requires a lot of resources, S-GARD has set the priorities as follows:

1. Tunisia
2. Türkiye
3. European production

The risk assessment guides and prioritises the steps required by S-GARD to prevent and mitigate potential harms for the factory employees. In addition to its direct contact and long-term partnership, S-GARD utilizes Fair Wear Audits to track the progress of the implemented steps with an independent view from outside the company.

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To improve transparency in the communication of these steps, all the findings are not only communicated and shared with the factory and workers, but a summary is part of S-GARDs Social Report as well.

Since the Audits for 2023 were already planned in 2022, they were planned according the previously used cycle of an audit all three years, and not yet dependant on the results of the risk assessment.

AUDIT PLANNING

In 2023 the planned audits at A.B.H., A.B.H. Extension and Nobel were conducted.

1. Audit at A.B.H. Textile Service, January 26-27, 2023

- a. % of production at supplier: 12,67%
- b. Factory visits: Mrs. Lea Wintgens in January, April and September, Mr. Bruno Schmitz in February, March, May, September and October
- c. Complaints: no complaints
- d. Cooperation with other clients: the factory produces exclusively for S-GARD.
- e. Prior social audits: Third Fair Wear audit at the factory
- f. Major audit findings and corrective actions

Category	Detailed finding	Corrective Action Plan	Current Status
Member sourcing	The member pays sufficient for minimum wage and OT but the price does not support living wage	S-GARD has improved the wages significantly through its living wage program, with the average wage at the supplier being 4% below the estimated Living Wage by Fair Wear.	In Progress
Member monitoring	The manager shared previous CAP finding of the last audit reports with the worker representatives.	Checked and improved finding from last audit.	Done Closed
Freedom of association	Workers' representatives had training, only in firefighting and first aid. There is no specific training	The factory checks if an appropriate training is available.	In Progress

	about legal binding and workers' rights.		
No discrimination	There is a written procedure regarding discrimination written in Arabic and in French. However, the Arabic translation is not complete and does not specify the procedure in case of discrimination.	There was a mistake in the translation of the document.	Done Closed
Child labour	Apprentices' contracts indicate an annual leave of two days a month in accordance with labour law.	Checked and improved finding from last audit.	Done Closed
Living wage	Wages are lesser than the living wage as estimated by the local stakeholders	Same finding as the one in "member sourcing".	In Progress
Living wage	<ol style="list-style-type: none"> 1. Workers are not paid a food bonus, since lunchtime is less than one hour. 2. Workers are not paid a monthly productivity bonus. 3. Annual bonus is given to workers in accordance with a score that takes into account assiduity, productivity, discipline and presence. However, the professional quality should be included instead of the presence in accordance with garment CBA. 	In Discussion with factory, since there is a conflict between the wishes of the employees regarding breaks and the suggested process by the auditor.	In Progress
Living wage	Due to supply problems, workers are asked to stay home, and those days are paid as annual leave when possible. Workers did not know whether these days' offs would be paid. They stated that it would be	The situation was communicated and documented beforehand with the workers.	Done Closed

	considered as part of the annual legal paid leave.		
Working hours	The labour inspection does not approve lunchtime when it is less than one hour, but workers asked for that to leave the job earlier.	This is an old conflict between worker wishes and the labour inspection. S-GARD will again try to mediate.	In Progress
Safety & health	In 2021 and 2022, the company had much training in health and safety, first aid, and fire evacuation with evacuation drills.	Checked and improved finding from last audit.	Done Closed
Safety & health	Workplaces are not equipped with air conditioners and the work environment is very cold in the winter and hot in the summer.	A.B.H. and S-GARD are building a new facility to increase capacity, which will solve this issue.	In Progress
Safety & health	Workers in standing positions did not use anti-fatigue mats on the day of the audit.	Anti-fatigue mats are provided for standing positions. However, there are positions which require moving, and therefore mats do increase the risk of stumbling.	Done Closed

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2. Audit at A.B.H. Textile Service Extension, February 16-17, 2023

- a. % of production at supplier: 9,84%
- b. Factory visits: Mrs. Lea Wintgens in January, April and September, Mr. Bruno Schmitz in February, March, May, September and October
- c. Complaints: no complaints
- d. Cooperation with other clients: the factory produces exclusively for S-GARD.
- e. Prior social audits: Second Fair Wear audit at the factory
- f. Major audit findings and corrective actions

Category	Detailed finding	Corrective Action Plan	Current Status
Member sourcing	The member pays sufficient for minimum wage and OT but the price does not support living wage	S-GARD has improved the wages significantly through its living wage program. However, with the average wage at the supplier being 22% below the estimated Living Wage by Fair Wear, there is still a way to go.	In Progress
Freedom of association	There is no specific training about legal binding and workers' rights for members of CCE.	The factory checks if an appropriate training is available.	In Progress
Living wage	Wages are lesser than the living wage as estimated by the local stakeholders.	Same finding as the one in "member sourcing".	In Progress
Living wage	Sewing workers are classified under the CBA level of sewers.	Checked and improved finding from last audit.	Done Closed
Living wage	1. Workers are not paid a food bonus, since lunchtime is less than one hour. 2. Workers are not paid a monthly productivity bonus.	In Discussion with factory, since there is a conflict between the wishes of the employees regarding breaks and the suggested process by the auditor.	In Progress
Working hours	The labour inspection does not approve lunchtime when it is less	Same finding as the one above.	In Progress

	than one hour, but workers asked for that to leave the job earlier.		
Safety & health	Toilets are well maintained, however, they require better hygiene and cleanliness.	Approved. Will be cleaned accordingly.	Done Closed
Safety & health	Some chairs are comfortable and well-maintained. However, some chairs are not ergonomic. A purchasing order has been launched to change all the chairs.	Due to order difficulties by the supplier of the chairs, old chairs were used. However the new ones were ordered beforehand.	Done Closed

3. Audit at Societe Nobel Confection, March 16-17, 2023

- a. % of production at supplier: 44,08%
- b. Factory visits: Mrs. Lea Wintgens in January, April and September, Mr. Bruno Schmitz in February, March, May, September and October
- c. Complaints: no complaints
- d. Cooperation with other clients: the factory produces exclusively for S-GARD.
- e. Prior social audits: Third Fair Wear audit at the factory
- f. Major audit findings and corrective actions

Category	Detailed finding	Corrective Action Plan	Current Status
Member sourcing	The member pays sufficient for minimum wage and OT but the price does not support living wage	S-GARD has improved the wages significantly through its living wage program. However, with the average wage at the supplier being 13% below the estimated Living Wage by Fair Wear, there is still a way to go.	In Progress
Member monitoring	The previous audit report was not shared with the worker representatives.	Audit reports are getting shared with the factory and worker representatives.	Done Closed

Factory communication	<p>The majority of workers are not aware of the FW complaints mechanism.</p> <p>Workers are not well-informed about the labor legislation and the garment CBA.</p> <p>Most workers do not know Fair Wear's objectives and are not aware of labor standards.</p>	S-GARD is checking this finding with the factory. There were multiple trainings at the factory in the past.	In Progress
Freedom of association	There is a new CCE election report.	Checked and improved finding from last audit.	Done Closed
Freedom of association	The workers' representatives are not active and did no meetings dealing with the organisation of work or improving working conditions.	The factory checks if an appropriate training is available.	In Progress
No discrimination	There is a written procedure regarding discrimination but not in the local language.	The procedure will be translated in French and Arabic and published.	Done Closed
No discrimination	A scoring system is newly implemented by the manager based on productivity, quality, presence and assiduity is used to estimate the annual productivity bonus. The scoring system should take into account the discipline and not the presence that is already counted in the assiduity evaluation.	The finding is related to a wording issue in the scoring system. The system scores as the finding suggests.	Done Closed
Child labour	The factory does not have a written policy regarding juvenile workers and apprentices.	The factory does currently not employ apprentices. However, a policy will be set up.	Done Closed
Child labour	There is no apprentices register in accordance with section 59 of labor	The factory does currently not employ apprentices. A form for the register does already exist.	Done Closed

	code. The factory does not employ apprentices.		
Living wage	Workers are paid below living wage as estimated by local stakeholders.	Same finding as the one in "member sourcing".	In Progress
Living wage	Wages are paid with no more eleventh of the consecutive month.	Checked and improved finding from last audit.	Done Closed
Living wage	The management informed that the factory increased the wage in June 2021 by about 6,5% gross wages. In August 2022, the factory increased wages in accordance with the new garment CBA, but without back pay for the period that started in May 2022.	The difference of the two wage increasements was calculated, to ensure the workers did not get a disadvantage by the earlier increasement.	Done Closed
Living wage	<ol style="list-style-type: none"> 1. Workers are not paid a food bonus, since lunchtime is less than one hour. 2. Workers are not paid a monthly productivity bonus. 3. Workers are given an annual productivity bonus based on scores given to workers by four criteria such as presence, assiduity, productivity and discipline. However, the CBA requires professional quality evaluation instead of presence. 	<p>In Discussion with factory, since there is a conflict between the wishes of the employees regarding breaks and the suggested process by the auditor.</p> <p>The bonus calculation needs to be checked.</p>	In Progress
Living wage	The deduction rate of social contribution is wrong and should be corrected. The amount is less for a few dinars less than what should be paid	Corrected.	Done Closed
Working hours	The labor inspection does not approve lunchtime as it is less than	In Discussion with factory, since there is a conflict	In Progress

	<p>one hour, but workers asked for that to leave the job earlier. However, an agreement was signed between the manager and workers to approve that.</p>	<p>between the wishes of the employees regarding breaks and the suggested process by the auditor.</p>	
Working hours	<p>The workers with more than five years of seniority are not increased by one day in the total annual leave.</p>	<p>Will be corrected.</p>	<p>Done Closed</p>
Safety & health	<p>There is a health and safety committee (it is a legal obligation because the number of permanent staff is more than 40 (they are 109), but it is not active and the company has not held a meeting since the creation of the Committee.</p>	<p>For the company it is unclear what actions are needed. S-GARD checks together with the company if this could be part of a training.</p>	<p>In Progress</p>
Safety & health	<p>Workers receive two aprons, but they did not receive shoes or bonus shoes. Only the cleaners receive plastic boots and the mechanics receive safety shoes.</p>	<p>Will be compensated.</p>	<p>Done Closed</p>
Safety & health	<p>The company is not doing training in all health and safety topics for workers.</p>	<p>This will be checked together with the other Safety & health findings.</p>	<p>In Progress</p>
Safety & health	<p>The majority of the emergency exits were equipped with anti-panic locks. There are only two emergency exits not yet equipped with anti-panic doors. The company plans to change them.</p>	<p>The two doors will be equipped accordingly.</p>	<p>Done Closed</p>
Safety & health	<p>There is no refrigerator in the canteen to keep the food in good condition, especially in summer.</p>	<p>A refrigerator will be placed.</p>	<p>Done Closed</p>

Legal	Copies of employment contracts are provided to workers, but not signed by the manager.	Signed copies will be handed.	Done Closed
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Complaints handling

S-GARD complaints procedure:

Mr. Atef Bannani is primarily responsible in case of complaints but this only with direct S-GARD consultation. After the reception of a complaint the problem will be discussed between the two affected or, if needed, with all three parties.

A possible solution shall be found during this agreement process. In that context, it is S-GARD to check whether it is a single/individual or general issue, in order to start appropriate corrective actions for the future. Measures and arrangements will then be taken.

In the context of implementation, FWF's CoLP workers are extensively educated how to cope with complaints.

Complaints: no complaints received.

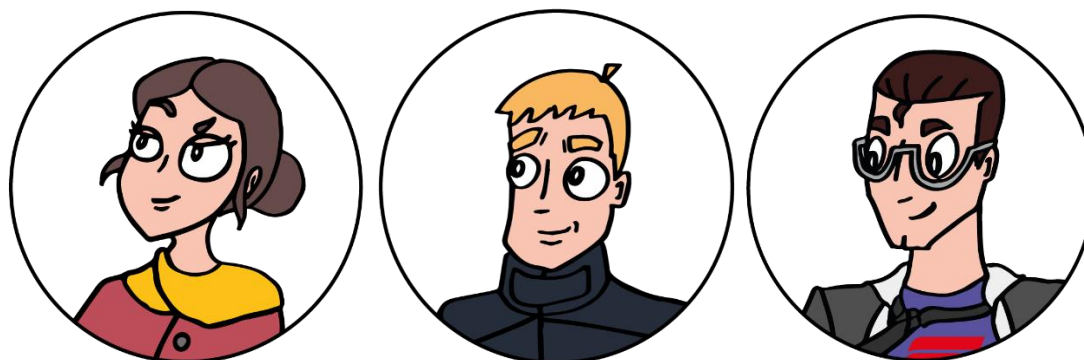
External complaints procedure:

The external complaints procedure via FWF / complaints handler remains untouched from the before mentioned procedure and is definitely always open for all employees feeling the need to go beyond the internal procedure.

Training and capacity building

ACTIVITIES TO INFORM STAFF MEMBERS

German staff, inclusive of the externally operating sales team, have verbally been informed about the Fair Wear membership, the CoLP, first audits and their consequences. We repeat that from time to time. Additionally, a presentation following a story-telling about S-GARDs work with Fair Wear was developed to give a first, brief introduction to S-GARD staff and sales partners. It is built around the three characters Sarah, Thomas and Mr. S-GARD, representing workers, customers and the company itself.



The executive has prepared a document containing the basics of S-GARD's CSR activities – under the testimonial of Fair Wear membership. This letter of information is used for public relations in general, clients, and public procurers. Fair Wear has announced, that a document stating the member status is in development, which is especially helpful for communication in public procurement.

By having taken these steps, we enable all colleagues to give fundamental answers in terms of Fair Wear and the CoLP towards third persons and parties.

The Fair Wear membership is a fixed point in our two-weekly development meeting.

ACTIVITIES TO INFORM AGENTS

We are with our agency, Cint Stickdesign, in a permanent discourse about all relevant social issues.

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

First of all, the FWF CoLP and related documents have been published in all manufacturing structures on well-visible and easy-accessible places.

The S-GARD management, the ABH management and the local managements carried out introduction lessons in each factory to publish, discuss and implement the CoLP's before- and because of some negative voices- again after the audits.

Thus, we hope to get all stuff principally aware of his/her personal rights and obligations on the job and what to do/how to behave in case of violations, problems, etc.

S-GARD commits itself to redo that whenever it's necessary, e.g. in case of new labour- or- in case of renewed negative interrogation results by the auditors.

Information management

S-GARD is in direct contact with production locations on a daily basis to manage production and discuss technical issues. Topics towards the implementation of the Code of Labour practices are discussed in the same meetings and by the same staff members. Since S-GARDs Head of Product Development has the main responsibility for the Fair Wear membership, CSR related and technical questions are discussed continuously.

Transparency & communication

These publishing activities have been taken:

- FWF logo placed on www.s-gard.com and www.s-gard.de
- FWF logo placed in general areas of product brochures and PDF's
- Hangtag on S-GARD products
- RBC Guideline published on www.s-gard.com and www.s-gard.de
- Written statement drafted for clients and public procurers with a short explanation of Fair Wear and its main concerns
- Fair Wear and the CoLP added to the tender documents
- Fair Wear mentioned on our social media channels (Facebook, Instagram, Blog)