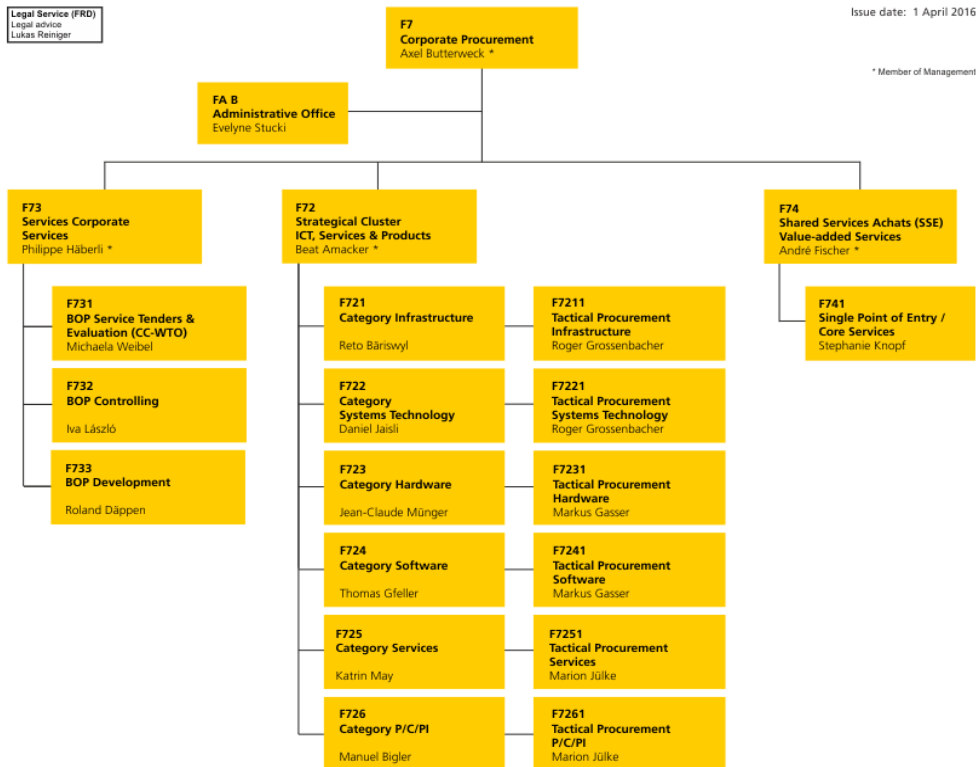


Member since 13.06.2012

# CLOTHING PURCHASING

## Report 2016

01.01-31.12.2016



## Summary: goals & achievements 2016

Swiss Post was the first major Swiss public company to join the worldwide Fair Wear Foundation on 13 June 2012. The globally active Fair Wear Foundation is committed to sustainable clothing production. Using a multi-stakeholder approach, it brings together industry associations, trade unions and non-governmental organizations (NGOs) as equal partners in order to enforce minimum standards for the employees and promote transparency in the garment industry.

Commitment to sustainability is part of Swiss Post's vital corporate culture. Swiss Post operates according to a clear set of principles and takes its social, environmental and economic responsibilities seriously. Since 2006, Swiss Post has required all of its suppliers to sign its Code of Ethics and Social Responsibility in order to confirm their acceptance of Swiss Post's basic social and ethical requirements and its environmental principles.

In its corporate responsibility strategy, Swiss Post focuses on climate and energy, as well as areas of action in the social sphere, which also include responsible procurement. The concept of due diligence is being established as a core principle of responsible procurement organization. In addition, the focus of responsible procurement is increasingly on the supply chain and our work with suppliers, because that is where the greatest degree of leverage for improvement is to be found.

Socially responsible procurement in times of globalized value chains is a growing challenge. Long supply chains with many subcontractors and different regional laws to protect workers call for professional and independent partners on site. Much of what we almost take for granted is a scarce resource in emerging and developing countries.

It is typical for these countries to have national regulation systems that are underdeveloped or that do not work well. Even if these countries currently have modern labour and environmental laws, it does not show in practice.

We joined the Fair Wear Foundation to ensure that our Swiss Post clothing is produced in a socially acceptable manner and that improvements can be specifically initiated together with producers where necessary.

Our efforts have an impact on all those involved, from direct suppliers in the value chain to our suppliers' subcontractors. This is the only way we can fulfil our due diligence obligations with respect to suppliers.

In 2016 Swiss Post was awarded the third time by FWF with the highest status of "Leader. The specified requirements as part of the 2015 audit action plans have been implemented successfully. By the end of 2016, 100% of suppliers had been audited.

Swiss Post intends to fulfil its commitment sustainably and therefore relies on a suitable balance between ecological action, social responsibility and economic success. This not only applies to our activities within Switzerland, but also to the purchasing of goods and services from abroad.

***"Clothing produced in a socially acceptable manner for the employees of Swiss Post is a high priority for us. We do not intend to react to external pressure, but wish to lead by example."***

*Beat Amacker  
Head of Strategic Cluster Management*



## **Mission of Swiss Post for socially responsible procurement**

### **Code of labour practices of the Fair Wear Foundation**

Swiss Post already introduced a Social and Ethics Code for all suppliers in 2006. For clothing purchasing, Swiss Post abides by the working guidelines of the Fair Wear Foundation, on which the producer audits are based. The code is displayed in the factories in the respective national language. The goal of the Fair Wear Foundation is to improve working conditions in the garment industry. Member companies of the Fair Wear Foundation pledge to only deal with sewn products that have been produced under fair working conditions. Therefore, the Fair Wear Foundation requires this business operation to comply with the following Code of Labour Practices:

#### **1. Employment is freely chosen**

There must be no use of forced labour.

#### **2. There is no discrimination in employment**

The employer must treat all employees equally, regardless of their race, colour, gender, religion, political affiliation, union membership, nationality, social origin, deficiencies or disabilities.

#### **3. No exploitation of child labour**

There must be no use of child labour. Prospective employees may not be employed before they have reached the age of completion of compulsory schooling and on no account may they be employed under the age of 15. Young people between the age of 15 and 18 must not perform work which can harm their health or safety. For example, they are not permitted to perform work at night or work excessive hours.

#### **4. Freedom of association and the right to collective bargaining**

The employees have the right to negotiate with their employer as a group (collective bargaining). The employer must not punish employees who express their opinion and wishes. All employees have the right to join a trade union of their choice or to establish a trade union (freedom of association). If the right to freedom of association and collective bargaining is restricted, the employer may not prevent other forms of collective bargaining and the organization of workers. Workers' representatives shall not be discriminated against and shall have access to all workplaces necessary to carry out their representation functions.

#### **5. Payment of a living wage**

The wages must at least meet the legal minimum (if this has been defined). The wages for a normal working week should always be sufficient to meet the basic needs of workers and their families and provide some discretionary income. Deductions from wages shall not be permitted which are not provided for by national law. Employees shall be adequately and clearly informed about the specifications of their wages, including wage rates, payment periods and wage deductions. They shall receive a pay slip that contains this information.

#### **6. No excessive working hours**

Hours of work shall comply with applicable laws. In any event, workers shall not be required on a regular basis to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary and the total working hours per week, including overtime, shall not exceed 60 hours. Overtime shall not be required on a regular basis and must always be compensated at a premium rate, in accordance with the legal requirements.

## 7. Safe and healthy working conditions

The employer must provide a safe and hygienic working environment. The employer shall provide protective equipment, where necessary, and train the employees in how they are used. The employer shall furthermore take measures to prevent accidents and health risks. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

## 8. Legally binding employment relationship

Each employee shall receive a written employment contract and all labour-law and social security obligations to employees shall be assumed.

<http://www.swisspost.ch/ethikkodex>

<https://www.post.ch/en/business/a-z-of-subjects/procurement-organization/responsible-procurement>

## 1. Sourcing strategy

### 1.1. Sourcing strategy & pricing

When purchasing clothing, Swiss Post's concern is that its employees are attired purposefully, attractively and uniformly. We pursue "the middle risk country strategy" predefined by our management which is part of Swiss Post's policy, and indicates that some risk factors are present in supply chain by dual purchasing from Europe and Asia. We buy 83% from Europe. Our purchasing strategy in a nutshell:

- Trust: long-term relationships with the producers
- Socially acceptable: acceptance by the manufacturers of Swiss Post's Social and Ethics Code and of Fair Wear Foundation's Code of Labour Practices
- Local sourcing: materials chosen local from the production region
- Dual: for big quantities, one supplier in Asia and in Europe
- Economical: best offer-quality ratio value
- Long lifetime: high quality of the garments

In 2014 we laid down that each supplier is required to fill in a detailed product calculation sheet "DNA" for all materials used, including their supply sources and web page. This will allow us to view the whole supply chain, including material and workmanship, prices and transport ways to provide better traceability of each article.

### 1.2. Organization of the sourcing department

The clothing team at Swiss Post Corporate Procurement is made up of four employees (with a total employment rate of 200%). On behalf of the different units, these staff perform the role of buyer and are responsible for the procurement and supply. The final approval is given by the Head of Strategic Cluster Management.

### 1.3. Production cycle

The uniforms, do not have several collections, like in the fashion business. Swiss Post plans the production cycles on a long-term basis. In April it communicates the planned order quantities for the coming year, so that the suppliers have sufficient time to plan the production and purchasing of material and to meet the delivery dates. In Asia there are a maximum of one delivery at the end of the year. In Europe, it is between three to five as required. Swiss Post anticipates a purchasing period of eight months from Asia and in Europe one and half months depending on the availability of the material.



Swiss Post attaches great importance to a long-term partnership and direct cooperation with their producers. This is the only way in which a trusting and respectful relationship can be established. On average, cooperation currently lasts for almost five years. We used the following criteria in 2016 for the selection of new suppliers and their sub-contractors:

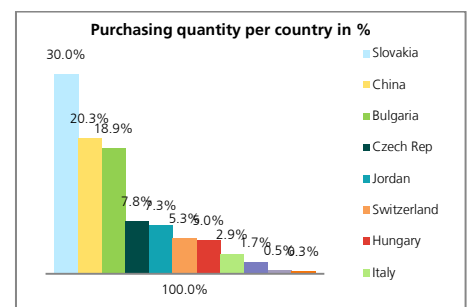
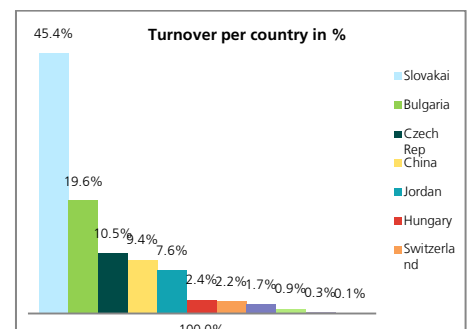
- Does the supplier agree to the Swiss Post Social and Ethics Code and does he pledge to comply with it? Is the producer ready to fill the questionnaire of Swiss Post for uniform suppliers, which requires transparency about price calculation, wages, and along the entire supply chain?
- Does the producer agree to Fair Wear Foundation's Code of Labour Practices and does he pledge to comply with it? If so, both the management and employees of the producer are given training in FWF Code of Labour Practices (i.e. 8 ILO core labour standards). The supplier audit takes place only after completion of the training.
- Is the offer-quality ratio right?
- Does the supplier have the required know-how, technologies, machinery available? Are the staff qualified and are there appropriate quality standards? Is there sufficient capacity and finances for producing the required number of units?
- How is the environmental commitment applied in practice? For example, solar energy systems, waste separation, etc.

No working relationships with any suppliers were terminated in 2016.

### 1.5. Integration monitoring activities and sourcing decisions

In 2016 approximately 284'051 pieces garments were produced by 13 suppliers in 20 factories in 11 countries for Swiss Post. A challenge not only for purchasing and logistics, but also for monitoring the social standards. Swiss Post provides its employees with 90 different types of garments in over 2,053 sizes: classic suits for women and men, outdoor clothing, knitted goods, T-shirts and sweatshirts, casual trousers, shirts and blouses, work clothing, accessories (belts, ties, caps and gloves), as well as shoes.

Product groups and countries		
Product group	Country of factory	Order volume 2016
Business uniforms	Jordan	20'597
	Slovakai 4	19'165
Outdoor	Slovakai 1	11'470
	Slovakai 2	3'477
	Slovakai 3	12'092
	Bulgaria 1	9'355
Casual Pants	Bulgaria 1	33'802
Woven Shirts	Slovakai 5	16'460
	China 1	33'659
Knitted goods	China 2	20'443
	Hungary	14'202
	Slovakai 3	14'120
	Czech Rep	22'235
Work garments	Portugal	4'955
Securiy vests	Slovakai 3	1'650
	China 3	3'694
Ties & Scarves	Italy	8'297
	Germany	900
	Slovakai 3	6'700
Belts	Switzerland	15'090
Gloves	Bulgaria 2	5'820
	Poland 1	599
Hats	Poland 2	700
	Bulgaria 2	4'569
Total 1		<b>284'051</b>
External suppliers		
Shoes 1	Switzerland	8'394
Shoes 2	Switzerland	20
Clothing	Switzerland	1'616
Total 2		<b>10'030</b>



In 2016, our suppliers came from Switzerland, the Czech Republic, Slovakia, Hungary, Portugal, Poland, Germany, Italy, Bulgaria, Jordan and China. We prefer to produce in Europe because of traceability of the production and materials.

As a member of Fair Wear Foundation we are committed to our responsibility. Our sourcing decisions will be influenced as explained below:

If a manufacturer does not accept FWF standards, we do not start working with the factory. After major issues are found during an audit or major issues are reported within the complaint procedure, our company urges the garment suppliers to take immediate action.

With respect to child labour and workplace security in the factories, we have a zero-tolerance policy.

Our suppliers have to initiate the continuous improvements according to FWF and CAP concept. If this is not done within one year by the supplier, generally the cooperation will be cancelled.

Placing of orders will be stopped immediately for the next round (orders already placed must be produced so as to secure the delivery of the goods) in case of non-performance or unwillingness to improve labour conditions.

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

### **Audit programme**

Swiss Post has itself to audit 40% of its producers in the first year of its membership in 2012. By the end of 2016, 100% of the garment suppliers had been audited based on turnover without external suppliers.

All factories have received factory training in FWF Code of Labour Practices (i.e. 8 ILO core labour standards). The audits were carried out by FWF, Better Work-ILO and Swiss Post. Swiss Post exceeded the requirements of the Fair Wear Foundation.

### **All manufacturers audited**

Swiss Post already audited all of its suppliers in risk countries prior to joining the Fair Wear Foundation. Currently, 100 % of purchasing volumes is from audited factories.

We continue to implement all improvements derived from corrective action plans. The detected non-conformities in health and safety were largely eliminated already in 2015.

### **Results and improvement measures**

Two factories in two countries were audited in 2016, one by FWF and the other by the ILO Better Work programme. In addition, three factory training sessions were conducted by FWF. At these sessions, employees of the factories receive explanations of FWF's Code of Labour Practices (including the eight ILO core labour standards) and are also informed of their rights.

The factory training sessions are a standard feature of the ILO Better Work programme. Workers in the factories were trained on the topics of wages and overtime during a factory meeting.

Members of the managerial team have been notified of the topic of responsible management.

These factory training sessions are rated very positively both by suppliers and employees. In all cases, an improvement process was started or improvements that have already been initiated were audited.

**Forced labour and child labour**

The audits in 2016 did not give any indication of forced labour or child labour.

**Discrimination**

The audits in 2016 did not give any indication of discrimination.

**Freedom of association and the right to collective bargaining**

In China and Jordan, trade union freedoms are restricted due to the political system. Therefore, Swiss Post encouraged the supplier's management to allow the creation of worker committees.

**Living wages**

FWF membership entails a commitment to a living wage in the production factories. Most of the producers pay their employees significantly more than the minimum wage of the respective country. In terms of wages improvements have been shown at suppliers.

We require wage data from all suppliers at the beginning of the year and compare it with "wageindicator.org." We carefully accompany and review the development of the wages in all factories yearly.

**Adequate working hours**

In China, long working hours are a well-known problem in the garment industry. However, there was no overtime in the production of clothing for Swiss Post because Swiss Post's planning of production with its suppliers is long term.

Swiss Post agreed with factory managements in China that no overtime would be done for the productions of Swiss Post. We require overtime data from our suppliers and compare it with the labour laws in place in each country with reference to the information at "decentworkcheck.org."

Swiss Post's suppliers in China have undertaken for Swiss Post orders not to work more than 60 hours per person per week.

**Occupational safety and health protection**

Workplace security and health protection in factories have the highest priority for Swiss Post Procurement.

The shortcomings related to occupational safety particularly refer to incorrectly positioned fire extinguishers, unmarked emergency exits, missing chain gloves in the cutting department, missing needle protection and missing anti-static mats at the ironing stations.

Swiss Post points out deficiencies to the manufacturers, presents approaches for improvement and videos, and requests photos or other materials to document implementation.

The results achieved can be considered positive.

**Legally binding employment relationship**

Many migrant workers from rural areas work in the Chinese garment industry. China lacks a national social security system, and the system in place is very complex.

Therefore, the Fair Wear Foundation is proposing to the factories that they conclude a private commercial injury insurance policy for each employee, as an initial step.

Our Chinese suppliers have achieved this aim. At two factories 95-100% of the workers have full insurance and at the third one 67% the workers have full insurance and 33% rural insurance.



**Production partners and audits:**

Product group	Production country	Purchasing volume in % monetary	Cooperation in years	% Supplier's production for Swiss Post in pcs	Audits 2012	Audits 2013	Audits 2014	Audits 2015	Factory trainings 2015	visits 2015	Audits 2016	Factory trainings 2016	visits 2016
<b>Classical women's and men's suits</b>	Jordan	7.6%	6	6%	BW-ILO	BW-ILO	BW-ILO	BW-ILO	BW-ILO	1	BW-ILO	BW-ILO	
	Slovakai 4	7.5%	6	20%	CH Post			CH Post	CH Post	1			
	Slovakai 1	14.4%	6	30%	CH Post			CH Post	CH Post	1			
	Slovakai 2	6.3%	6	30%				CH Post	CH Post	1			
	Slovakai 3	8.2%	6	25%				CH Post	CH Post	1			
<b>Outdoor Casual pants</b>	Bulgaria 1	5.3%	10	1.7%	FWF			FWF		1		FWF	1
	Bulgaria 1	12.9%	10	16%				FWF					
	Slovakai 5	4.2%	>10	15%			CH Post		CH Post	1			
<b>Woven Shirts</b>	China 1	6.2%	6	5%	FWF	FWF		FWF		1		FWF	
	China 2	2.9%	5	1%		FWF	FLA	FWF		1	FWF		
	Hungary	2.4%	4	1%			CH Post						
	Slovakai 3	4.2%	6	5%				CH Post	CH Post				
<b>Knitted goods</b>	Czech Republic	10.5%	8	20%	CH Post		CH Post						
<b>Work garments</b>	Portugal	1.7%	>10	0.4%				Post CH	CH Post	1			
<b>Security vests</b>	Slovakai 3	0.3%	6	0.1%	FWF			Post CH					
	China 3	0.3%	4	0.6%		FWF		FWF		1		FWF	
	Italy	0.9%	3	5%				CH Post	CH Post	1			
<b>Ties-scarves</b>	Germany	0.1%	2	0.1%									
	Slovakai 3	0.2%	6	1%				CH Post	CH Post				
<b>Belts</b>	Switzerland	2.2%	>10	30%				CH Post	CH Post	1			
<b>Gloves</b>	Bulgaria 2	1.0%	2	5%			FWF						
	Poland 1	0.2%	3	0.01%			CH Post						
	Poland 2	0.1%	3	1%			CH Post						
<b>Head wear</b>	Bulgaria 2	0.5%	2	5%			FWF			1			
		100.0%			9	4	11	16	11	14	2	4	1

0 = No non-compliance detected  
 1/2 = Partially done  
 1 = Non-compliance detected  
 1\* = Special case because country conditions

**Audit results**

In 2016, two audits were conducted in high-risk countries.

Working Policies of the Fair Wear Foundation	Assessment of non-compliance 2016					
	Bulgaria1	Bulgaria 2	China1	China2	China3	Jordan
Forced labour	33012815	33008536	33017252	33016048	33017227	33015184
Discrimination	0	0	0	0	0	0
Child labour	0	0	0	0	0	0
Freedom of association	0	0	1*	1*	1*	1*
Right to collective bargaining	1*	1*	1*	1*	1*	0
Living wages	1/2	1	1/2	1/2	1/2	1
Adequate working hours	0	1	1	1	1	1/2
Occupational safety & health protection	0	0	0	1	1/2	1/2
Legally binding employment relationship	0	0	1/2	0	1	0

0 = No non-compliance detected  
 1/2 = Partially done  
 1 = Non-compliance detected  
 1\* = Special case because country conditions

We have the factories in high-risk countries audited by FWF and Better Work-ILO every year (China, Bulgaria, Jordan). In low-risk countries, Post CH Ltd conducts the audits itself.

After the audits, our primary focus is on the implementation of the improvement measures. Freedom of association is restricted in China by law. Freedom of association is not fully protected under the current Labour Law in Jordan.



In China there is no national law specifically governing collective bargaining procedures but only regulations on collective contracts. However, a collective contract established in line with the regulations is legally binding.

According to local stakeholders consulted by FWF in China, China lacks a functioning national social security system.

Migrant workers lose 80% of their accumulated social insurance entitlements if they transfer their money between local governments in case they move back to their home province before the clearance period is completed. Factories tend to take this as a reason to not pay their share of social insurance to migrants, nor offer them adequate compensation.

In Bulgaria, a Collective Bargaining Agreement (CBA) can be concluded only between the employer/employer's association and Trade Union (TU) representatives. There is no formal/legal way to sign a CBA with another form of worker organization. Trade Union representation is not common in the garment industry in Bulgaria.

**Corrective action plans**

Working Policies of the Fair Wear Foundation	Corrective Action Plan 2016					
	Bulgaria1	Bulgaria 2	China1	China2	China3	Jordan
	33012815	33008536	33017252	33016048	33017227	33015184
Forced labour	0	0	0	0	0	0
Discrimination	0	0	0	0	0	0
Child labour	0	0	0	0	0	0
Freedom of association	0	0	1*	1*	1*	1*
Right to collective bargaining	1*	1*	1*	1*	1*	done
Living wages	partially done	started	partially done	partially done	partially done	started
Adequate working hours	done	started	started	started	started	partially done
Occupational safety & health protection	0	0	done	started	partially done	partially done
Legally binding employment relationship	0	0	partially done	0	started	0

0 = No non-compliance detected  
 1 = Non-compliance detected  
 1/2 = Partially done  
 1\* = Special case because country conditions

**2.1. Factories in eastern Europe**

**Bulgaria**

Unemployment is high and has increased in the past year, which leads to poverty in several regions within Bulgaria. There are not enough young qualified workers in the garment industry. The voluntary unpaid leave days are one of the biggest challenges for the review of working conditions.

**Bulgaria1**

We have moved the production of casual trouser orders from China to Bulgaria, so that the factory could increase his capacity utilization and improve the wages due to increased purchasing quantity. Workers stated that they can see an improvement since the last audit. This is due to improved support from Swiss Post and regular audits. Wage levels are above the statutory minimum wage. Seasonally contingent unpaid leave entitlements for employees are a challenge for these audits. In 2016, the Fair Wear Foundation (FWF) conducted a workplace training session at this factory. The results were very positive.

## **Bulgaria 2**

Very small factory with 17 workers. Workers interviewed state they are satisfied with their the working conditions. All employees are paid on time and above the legal minimum wage. The company's boss is very popular among the employees, because she helps to make their lives easier in every respect. The unpaid leave entitlements for employees in this factory are also a challenge. A few mistakes were detected in the worker documentation. The aim was to improve on this. There is no CBA or TU in the factory. (Please see comment on page 9 regarding this topic).

## **2.2. Factories in Asia**

### **China**

Minimum wages in China are locally defined and differ much within provinces, even within a one hour-driving distance . The young generation that grew up with an ever-increasing western influence are less interested in working in the garments industry. They show also a strong sense of knowing their rights when it comes to working hours and overtime.

Contemporary factories know that these younger workers are the key to their success in the future and they are trying to make the working places more friendly for recruitment of a younger workforce in China.

### **China 1**

The factory is partner of the Fair Wear Foundation and has a relatively stable workforce. 74% of the workforce has worked in the factory for more than three years. Workers are satisfied with the overall working conditions at the factory.

There is a trade union at the factory in accordance with government requirements. Rather than being elected, members are nominated by management

Employees are informed internally about employment conditions and the Fair Wear Foundation's Code of Labour Practices. In 2016, the third FWF audit was carried out.

The factory has a team that is responsible for health and safety. This team checks all departments every day, and there is also an internal audit team that monitors working conditions. Fire drills are conducted twice a year with the participation of employees, in both the worker accommodation and production areas.

Wage levels at the factory not including overtime are above the minimum wage at the level of the industrial average. Wage levels at the factory including overtime are above the industrial average but below the Asia Floor Wage.

Workers regularly work overtime at the factory. The clothing industry - from the manufacturer to the end consumer - provides conditions in decades of this practice and habit with their special requirements. We agreed with factory management that no overtime will be used for Swiss Post orders. Together with the supplier, we analyzed the reasons (root causes) for having overtime.

Overtime is used for the production of other customers . The other customers usually place late orders, the styles are not constant with spontaneous changes. The buyers have no idea how long time the producer need for the production of placed goods. They need the most late orders with the earliest delivery, as the brands serve their customers with seasonal six-day business. Additionally there are from time to time unexpected difficulties in production.

The factory assigns a fixed production capacity following Swiss Post's order placement. Based on the agreed capacity, long term planning, with constant styles our orders will be produced over a period of five to six months. Our partners need to confirm that production for Swiss Post took place without overtime

95.8 % of employees are fully registered with the national social security system. For migrant workers who do not want to register for the national insurance system, the factory provides commercial insurance, accident and health insurance.

### **China 2**

This factory has a good system for compliance with social standards – all documents, guidelines and manuals are available. Relations with employees are very pleasant and socially responsible.

Improvements were made after the first audit in December 2012, particularly in the area of health protection and safety.

In 2016 the second training conducted at the factory under the Fair Wear Foundation's Workplace Education Programme. During the workplace training, workers gained improved knowledge and awareness of FWF Code of Labour Practices.

Management invested saving energy and being more environmentally-friendly. All the lights at the workshops have been changed to electricity-saving lamps, and energy-saving transformers have been installed on the sewing machines, which reduce energy consumption by 25%.

There is a workers committee of 58 democratically elected workers. This is exceptional for China. The committee has a meeting with the management once a year. The workers show awareness of the functioning of the committee.

Wages were increased by 35% compared to 2012 the last audit, including overtime. When all benefits and bonuses for voluntary overtime are taken into account, the average wage of employees is above the industry average.

In 2015 the factory has been re-audited. Weekly working hours are longer than set out in FWF Code of Labour practices. This should be improved on. Workers are free to refuse the overtime. All workers are provided with social security (this is exceptional for China).

An agreement was reached not to work more than 60 hours per person per week for Swiss Post orders.

### **China 3**

This is a small factory with 58 workers. The first social audit was initiated by FWF in 2013 and the second in 2015 to monitor the labour conditions of the factory.

Most workers are local people and more than 57% of the workforce has been working in the factory for more than three years. For the workers it is a nice factory to work in, where they feel comfortable and safe without any health and safety concerns. 23 of 34 workers have full insurance (pension, medical, injury, unemployment and maternity insurances) and 11 have rural insurance. Due it is a small factory, the management enjoy a close working relationship with their employees and they are quite open to talk with workers about their needs, suggestions and complaints.

There is no collective employment contract at the factory, but there are two worker representatives. When all benefits and overtime bonuses are taken into account, the average wage of employees is at the level of the Asia Floor Wage.

In 2015 the factory was re-audited. In some cases, weekly working hours are above the hours set out in the Fair Wear Foundation's Code of Labour Practices. Overtime is voluntary and the workers are free to refuse overtime hours. An agreement was reached not to work more than 60 hours per person per week for Swiss Post orders.

This factory was trained on behalf of Swiss Post by FWF on the Workplace Education Programme in 2014 and in 2016 so that the workers could improve their knowledge and awareness of FWF Code of Labour Practices.

### **2.3. Factory in Jordan**

The factory is established in the Qualified Industrial Zones (QIZs). The QIZ areas are designated by Jordanian, Egyptian and Israeli authorities. It is a politically driven peace project to promote peace in the region, through economic development and integration, and by increasing trade among the concerned parties.

Better Work Program (ILO) will be financed by International Finance Corporations, and the State Secretariat for Economic Affairs, Switzerland (SECO) belongs to the donors.

The factory is monitored and trained by Better Work Jordan permanently and ILO has authority in labour issues. In 2016, one Audit, two assessments and one factory training sessions were conducted for employees and management.

A collective bargaining agreement (CBA) between two apparel employers' associations and Jordan's garment union was signed in May 2013. In 2015, a migrant workers agreement between the ILO, the Jordanian government and the employers' association was signed, and employment contracts were harmonized. In 2016, BWJ in conjunction with the stakeholders decided to open a crèche at the factories.

There is a Performance Improvement Consultative Committee (PICC) in place at the factory. The PICC ensures that the factory complies with local labour laws and that the level of cooperation at the factory is improved.

PICC is comprised of four management and five worker representatives. Negotiations for the improvement of working conditions will be held by Better Work Jordan and Jordan Ministry of Labour.

### **2.4. Factories in low risk countries**

Our remaining suppliers in Italy, Slovakia, Czech Republic, Hungary, Portugal and in Switzerland are family owned small and medium-sized enterprises (SME). They are aware of their social responsibilities and take good care of their workers. The eight core labour standards of the ILO are embedded in the labour laws and are adhered to.

Swiss Post conducts audits and factory training sessions in a three-year cycle in Italy, Slovakia, Portugal, Hungary, the Czech Republic and Switzerland. Training sessions of this type are popular with both management and workers. Workers in the factories often express their thanks because Swiss Post as an employer makes the effort to check the local working conditions and supports producers in implementing the improvements on an ongoing basis.

## **2.5. External production**

In 2016, we worked with three external suppliers: one supplier delivers very small quantities of clothing, and the other two are shoes suppliers

However, it must be noted that the supplier may change each year for one-off staff initiatives depending on supply. This also depends on whether the order is for orthopaedic shoes or work shoes. We generally know where the shoes are manufactured – mainly in low-risk countries. We only purchase very small quantities of shoes in comparison with their overall production.

As a result, we are only able to have a minor influence on the supply chain of external suppliers. Nevertheless, we try to take small steps to make these suppliers aware of our stance and buy from FWF or FLA member companies as far as possible. One of our external suppliers is a member of FWF. All external suppliers have already completed FWF questionnaire for external suppliers.

## **3. Complaints procedure**

FWF code of labour practices is posted in the local language at all factories where it is clearly visible read by employees to read. In addition, employees can also find contact details on the notices, including the telephone number and e-mail address of the Fair Wear Foundation, to which they can turn in the event of a complaint. The Swiss Post purchaser informs the workers personally when they visit the factories. So far, there have been no complaints in the factories in which Swiss Post produces clothing.

The complaints process is defined as described: The Fair Wear Foundation reviews the complaint and sends it to Swiss Post, which in turn initiates improvement measures in the relevant production operation. After successful implementation of the improvements, but also in the event that the complaint is not resolved, the complaint in question is published on the website [www.fairwear.org](http://www.fairwear.org). The name of the manufacturer is not mentioned.

## **4. Training and capacity building**

### **4.1. Activities to inform staff members**

Four employees in Corporate Purchasing are responsible for purchasing all of the Swiss Post clothing and for the Fair Wear Foundation project.

As we have been a member since 2012, FWF has been established as the norm for clothing procurement. Swiss Post employees have been informed of the Fair Wear Foundation's activities in the new 2015-2016 clothing catalogue and in the internal Swiss Post staff newspaper.

### **4.2. Activities to inform intermediaries/agents**

Intermediaries have come to understand the importance of the Fair Wear Foundation's guidelines. They are expected to pass this information on to their production plants. We have ascertained that where new partners are concerned, information regarding the Fair Wear Foundation does not reach the operators directly. As a result, Post CH Ltd is taking steps to directly contact the intermediaries' factories more often. This is done in consultation with the intermediaries. We often get praise from producers for our commitment.

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

We usually combine our visits to suppliers' premises for production monitoring with FWF topics (factory training sessions). Managers and workers take this opportunity to clarify the Fair Wear Foundation Code of Labour Practices

As part of our procurement strategy, we make every effort to ensure that the employees and other workers in the sewing factories achieve improvements in performance in terms of social standards. At the end of 2016, all production factories had received training. These efforts include the following areas:

Our efforts should include the following:

- Swiss Post's expectations of suppliers and information about Swiss Post's Code of Ethics and Social Responsibility and its importance in daily life
- Information on FWF (Fair Wear Foundation) work practices
- Information on health protection and workplace safety with ILO cartoons
- Production process and its impact on code compliance ( for example reg. overtimes)
- Communication, grievances and/or complaints mechanisms.

All these issues will be checked during audits and the progress will be monitored with the CAP's and re-audits. Swiss Post is compiling corrective action plans on the basis of the audit results. Factory training sessions are conducted on an ongoing basis during supplier visits in accordance with the requirements of individual suppliers.

In 2016, three workplace training sessions were conducted by the Fair Wear Foundation and Betterwork ILO. The auditors of Better Work-ILO conduct regular meetings with the supplier. Better Work-ILO produced cartoons for its employees in Jordan, through which they are familiarised with the subject of occupational safety and accident prevention in an entertaining manner.

#### **5. Information management**

Information about all audits and audit measures conducted by Fair Wear Foundation, ILO's Better Work partnership programme and Swiss Post is stored both in our Fair Wear Foundation Clothing files under the year and supplier and in the "Mires" Swiss Post company filing system. We also use the Fair Wear Foundation database to share our information with FWF.

All of our suppliers are obliged to send us correct information via the supplier questionnaire. We plan factory visits for the following year in December of the previous year. We visit suppliers when they are producing our goods and combine it with an audit and factory training session. This requires very efficient planning.

Our visits to suppliers' premises affect all involved, from direct suppliers in the value chain to the suppliers' subcontractors. Cooperation with suppliers that do not accept Swiss Post's stance on this will come to an end.

## 6. Transparency and communication

With the communication on the Fair Wear Foundation, Swiss Post intends to create transparency and inform the public about its sustainable activities. This relates to internal and external measures.

For the internal and external communication of the membership with the Fair Wear Foundation, the Sustainability department, which is based in the Communication department, supports the Purchasing department. Information exchanges are held regularly between the purchaser and the Sustainability department.

The internal and external communication measures are suggested by the Sustainability department and are planned and implemented in accordance with the internal communication process of Swiss Post.

Our Sustainability department informs the general public about our FWF membership and the results of the measures stated in the work schedules on our website, on the intranet, and in the press.

Management and our employees will be notified of the Fair Wear Foundation updates via the intranet and the staff newspaper on an ongoing basis.

Everyone knows that Swiss Post considers FWF obligations related to stricter audits of social standards for its clothing suppliers to be part of the company's daily business.

## 7. The stakeholders' commitment

We are in exchange with NGO's Brot für alle and Erklärung von Bern.

## 8. Corporate Social Responsibility

### 8.1 Corporate social activities

Swiss Post lives up to its social responsibility. It is committed to addressing social issues, supports numerous foundations and charitable organizations and promotes sport and culture.

It also gets involved internationally, for example by working with postal organizations in developing countries. In addition, it focuses on sustainable purchasing.

#### Society

With its wide range of services, Swiss Post makes a significant contribution to the accessibility of all people and regions in Switzerland. It provides basic postal and payment transaction services throughout Switzerland. PostBus makes a valuable contribution to Switzerland's development and progress, as it makes outlying villages and hamlets accessible, significantly increasing the mobility of their inhabitants.

#### Pro Patria

Pro Patria, a foundation for the support of collections to promote Swiss cultural and social works, is supported by the surcharge on the Pro Patria special stamps.

#### 2 x Christmas

2 x Christmas is a charitable campaign conducted jointly by the Swiss Red Cross (SRC), the Swiss public broadcasting organisation SRG SSR and Swiss Post. Over the Christmas period, people donate food and day-to-day necessities. Swiss Post transports these free of charge to a SRC logistics centre, where they are sorted and forwarded to those in need by Swiss Post employees and SRC volunteers.



In 2016, the 2 x Christmas campaign celebrated its 20th anniversary and collected 66,000 parcels. The donated goods are distributed to people in need in Switzerland and to families and social institutions in Belarus, Moldova, Bosnia and Herzegovina and Armenia.

#### **College for Collaborative Mobility (cocomo)**

In the run-up to the World Collaborative Mobility Congress, Swiss Post is sponsoring the mobility academy to again run the College for Collaborative Mobility ("cocomo"). This encourages future mobility experts to develop sustainable mobility concepts using practical methods and to network with key decision-makers in the Swiss mobility sector

#### **Children and Youth**

Children and young people matter a great deal to Swiss Post. For this reason, we support Pro Juventute, provide schools with free equipment, launch educational projects for young people and help Santa out with the Christmas mail.

#### **Pro Juventute**

Swiss Post levies surcharges on its Pro Juventute stamps. Pro Juventute uses the revenue this generates to support children and young people, and their parents, with a wide range of services and programmes.

#### **PostDoc**

Swiss Post provides schools with free age-appropriate teaching materials on the subject of communication, from kindergarten to commercial college level.

PostDoc supports teaching that is interesting, varied and practical, and is tailored to cantonal curricula.

#### **Santa Claus campaign**

Every year, Swiss Post receives almost 20,000 letters from children addressed to Santa Claus. Swiss Post sends these children a gift and a response in their own language.

#### **PostFinance Trophy**

The "PostFinance Trophy", Switzerland's largest national school ice hockey tournament, inspires young sportsmen and women.

#### **International projects**

Expertise and practical help for postal organizations: Swiss Post supports postal organizations in developing countries, either directly or in close collaboration with the Universal Postal Union (UPU).

Swiss Post supports the Universal Postal Union in improving the quality of postal services worldwide, thus making the global postal network more efficient.

We provide experts for projects abroad, support seminars financially and use our experience to train line managers. We also help postal organizations in developing countries by providing resources – in 2010, for example, Ecuador and Cuba received 8,000 post boxes.

#### **Sustainable procurement**

Swiss Post adheres to economic, ethical, social and ecological standards (e.g. FWF, FSC) in its procurement, and it expects the same from its partners and suppliers.

### **Recycling of clothing: "A second lease of life for Swiss Post clothes"**

Since 2015, we have been working with the Swiss Red Cross (SRK) in the Bern-Mittelland district to give old Swiss Post clothing a second lease of life. Nearly-new clothes are sold by the Red Cross in its second-hand shops. The proceeds go to social projects. Good-quality clothes with small defects are donated to Swiss Mountain Aid via Tell-Text. Mountain farming families receive the clothing for free. Items of clothing that can no longer be worn are transformed into industrial materials such as cleaning cloths or insulation. Mountain farming families receive the clothing for free. Items of clothing that can no longer be worn are thermally recycled.

### **Memberships**

#### **WWF Climate Savers**

Swiss Post is a member of WWF Climate Savers. The group members all pursue ambitious goals to reduce emissions, actively share experiences and engage in joint projects.



#### **Association for Environmentally Sound Energy (VUE)**

As a VUE member, Swiss Post supports the promotion of renewable energies and ecological energy products.

#### **Network Global Compact Switzerland**

This worldwide UN initiative aims to promote sustainable development and social commitment in companies. Companies must align their business activities and strategies with ten universally accepted principles relating to human rights, employment standards, environmental protection, and anti-corruption measures.

#### **Postal-sector climate protection initiatives**

We participate in the initiatives of PostEurop and International Post Corporation (IPC). Together, we set international standards for the sector and cut the CO<sub>2</sub> emissions attributable to postal services. By 2020, the international postal sector wishes to reduce its CO<sub>2</sub> emissions by at least 25 percent compared with 2010 levels.

### **8.2 Environmental activities**

Protecting the climate is a long-term mission which calls for targeted action. Swiss Post has therefore created an action plan to increase its CO<sub>2</sub>-efficiency by 10% by the end of 2016 (based on 2010). Our actions can be summarized as follows:

#### **A vision of emission-free mail delivery**

There are more than 6,000 electric scooters powered by electricity from renewable resources in operation. By the end of 2016, Swiss Post had replaced its entire fleet of petrol scooters. It places emphasis on innovative mobility solutions. The company is constantly modernizing its vehicle fleet to reduce environmental pollution and uses increasing numbers of electric, hybrid or biogas-powered vehicles.

#### **Efficient logistics**

With a bundle of measures that also optimize the capacity utilization of vehicles and routes, Swiss Post is reducing empty runs and saving on fuel and costs.

**Eco-driving**

Swiss Post offers its drivers eco-driving training. Measuring equipment and other incentives ensure that the fuel-saving driving techniques are put into practice in daily operations

**Building optimization**

Swiss Post is optimizing its buildings in terms of energy and resource efficiency. New buildings, such as the new Swiss Post headquarters, are built in accordance with the MINERGIE®, MINERGIE-ECO® or DGNB standards.

**Solar electricity from Swiss Post roofs**

Swiss Post is installing more and more photovoltaic systems on the roofs of its building and contributing to eco-friendly electricity production.

**Pilot and flagship projects**

Swiss Post implements pilot and flagship projects that have a strong positive impact, e.g. for alternative driving systems, renewable energies or innovative technologies (e.g. fuel cell buses).

**Transparency in operations**

Swiss Post's CO<sub>2</sub> emissions are measured and reported in compliance with strict international standards (e.g. ISO 14064-1, Greenhouse Gas Protocol, revised edition 2004).