

CWS-boco Communication on Progress

Human Rights

Assessment / Principles / Goals

As a service provider for textile and hygiene solutions, CWS-boco places people at the heart of all its business activities. Both internally and externally, vis-à-vis suppliers and partners alike, our company is committed to upholding human rights.

True to the values for which CWS-boco stands, the company has established principles to ensure sustainable procurement based on international agreements such as the "Universal Declaration of Human Rights", the "Children's Rights Business Principles" guidelines, the United Nations guiding principles on "Business and Human Rights" and the OECD Guidelines.

In order to achieve this goal and ensure transparency along the supply chain, CWS-boco uses its subsidiary company CWS-boco Supply Chain Management GmbH (CWS-boco SCM) for the majority of its procurement activities. At the end of 2012, CWS-boco SCM became a member of the Business Social Compliance Initiative (BSCI), a European corporate platform which has set itself the target of improving the social, working and environmental standards in producing countries, and the Sustainable Apparel Coalition (SAC), which aims to reduce the negative social and environmental impact of textile and footwear production. This is testimony to CWS-boco's commitment to ensuring fair conditions both within the company itself and along the supply chain. In addition, CWS-boco SCM works closely with NGOs (e.g., Christian Initiative Romero (CIR), the Clean Clothes Campaign), associations (e.g., Dialog Textil Bekleidung, German Fashion, Wirtex) and government representatives.

SCM's goals for 2014 with respect to human rights are as follows:

- Integration of the new Code of Conduct for suppliers (CoC) in all purchase contracts and supplier agreements;
- Training and further training of technicians abroad and staff in strategic and operative purchasing as well as quality management as regards the stipulated canon of values;
- Identification of potential for improvement and joint preparation of a corrective action plan (CAP) as well as the monitoring and implementation thereof;
- Determination and reporting of key performance indicators (KPIs) for the purpose of continuous improvement and the publication thereof in the CWS-boco Sustainability Report.

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Implementation

Appointment of a CSR coordinator: At CWS-boco SCM, which is responsible for the sustainability of the supply chain, we created the role of a CSR coordinator, who reports directly to the Management. The powers and areas of responsibility of this role were communicated throughout the company in the form of procedural instructions and functional descriptions.

Establishment of the Code of Conduct for the supply chain (CoC): In order to promote improvements in labour conditions around the world, CWS-boco SCM obliges its suppliers and producers to accept and enforce the CoC.

The CoC counts on the cooperation and continuous improvement of business partners, their supply chain (based on the cascade principle) and producers. The principles laid out in the code of conduct of the International Labour Organization (ILO) represent the goals to be strived for and minimum expectations with regard to the social conduct of the supply chain:

- Compliance with laws
- Freedom of assembly and right to collective bargaining
- Prohibition of discrimination
- Wages
- Working hours
- Health and safety at the workplace
- Prohibition of child labour
- Prohibition of forced labour, compulsory labour and disciplinary measures
- Environmental and safety issues
- Management systems
- Anti-corruption and anti-bribery policies

Audits ensure compliance with the principles: Compliance with this CoC is assessed on a regular basis by certified internal and external auditing teams.

Around 50% of boco's products (workwear) result from passive contract processing. Contractors are provided with all the necessary materials by CWS-boco SCM and then produce the workwear for CWS-boco. All seven contractors are located in Eastern Europe, six of them in so-called "high-risk countries".

All partners have signed the Code of Conduct and, in doing so, have committed themselves to complying with the values outlined therein.

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Five producers were trained and audited in 2013. The results highlighted potential for improvement and, on the back of this, joint action plans were developed. These plans were to be worked through by mid-2014 to allow the auditing to be conducted again.

CWS-boco hopes to have audited 85% of its producers within three years in order to identify potential for improvement and remedy any deficits.

Successful production facilities: The success of the audit was particularly evident in one case in Bulgaria. The supplier failed to achieve certification after the first audit and was obliged to implement a number of changes to remedy this:

- Establishment of a system for monitoring working hours
- Establishment of a fixed salary structure in order to guarantee payment of a minimum salary
- Safety instructions at every workplace
- Early warning system for fires

Following implementation of the proposed measures, the supplier passed the second audit and was certified.

Certification offers suppliers confirmation of a progressive and employee-friendly environment. They improve their production conditions, which, in turn, appeals to potential applicants and customers.

The other approximately 50% of boco's products (workwear) comes from the collections of so-called "merchandise partners" from whom CWS-boco purchases its items. These partners are also required to sign the CoC. The merchandise partners' collections come almost exclusively from European suppliers (Germany, Italy, United Kingdom, etc.).

CoC for purchasing for the CWS brand: The Swiss company CWS-boco Supply AG handles purchasing for the washroom hygiene brand CWS. The Code of Conduct for the supply chain was introduced here too. More than 99% of the washroom hygiene products (soap, fragrance dispensers, etc.) originate from production sites based in Western Europe. Of the 27 suppliers with whom CWS-boco Supply AG works, only two have one/two production facilities in high-risk countries in Eastern Europe and Asia. The purchase volume of goods from these countries accounts for less than one percent of CWS Supply AG's total purchase volume.

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The purchase conditions stipulated by CWS-boco Supply AG, which have been signed by all suppliers, strictly prohibit all forms of forced and child labour as well as any kind of exploitation. In sensitive regions, the company also asks its suppliers to confirm that child labour is not permitted. As of 2015, a Supplier Code of Conduct based on the SCM model will be introduced and corresponding audits will be performed in order to work more closely with suppliers and take advantage of the benefits of improved production conditions.

For all other purchasing areas, e.g., Indirect Spend, CWS-boco is planning to launch a Supplier Code of Conduct in 2015. As such, the entire supply chain will be designed to be sustainable in the long term and all suppliers will be obliged to comply with uniform standards in terms of labour conditions and environmental protection, for example, water treatment and energy saving measures.

Measurement of results

At international level, the CSR coordinator is responsible for the prioritisation and company-wide implementation of CSR-related issues. The incumbent is in direct contact with those responsible for CSR in the various subsidiaries.

CWS-boco SCM has developed an IT tool which provides an overview of the supply chain for the purpose of risk assessment.

Audits are performed by an external, accredited SA8000 testing institute (www.sgsgroup.de). If the supplier and partner audits are successful, these parties are certified according to the BSCI standard. As well as furnishing proof that the companies involved satisfy the CWS-boco requirements, this certification also increases the future viability of the individual operations in their countries.

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Labour conditions

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CWS-boco's ethical understanding comprises compliance with fair labour conditions. Employee protection is a top priority within the company and among its suppliers and partners. As a member of the Business Social Compliance Initiative (BSCI), CWS-boco is committed to ensuring fair labour conditions in producing countries. This includes, among other things, the payment of minimum wages as well as their positive development and adherence to fire protection regulations. CWS-boco observes the four fundamental principles of the ILO and pledges that both it as a company and its supply chain will ensure strict compliance with the prohibition of child labour in the production processes.

Any kind of discrimination based on personal characteristics, whether this be due to gender, age, extraction or nationality, social background, political or religious beliefs or sexual orientation will not be tolerated. CWS-boco employs people from 60 nations. Career opportunities and the right of co-determination are open to every single employee.

In the Netherlands, the company has set itself the target in 2014 of achieving certification to OHSAS 18001 (standard for occupational health and safety).

Implementation

On becoming part of the BSCI, CWS-boco SCM undertook to make the BSCI Code of Conduct legally binding for its suppliers and implement this for the latter. Accordingly, CWS-boco advocates better labour conditions in the international supply chain. The code is based on the ILO standards. All the occupational safety guidelines valid across the company correspond to the relevant national requirements. CWS-boco provides detailed information to all staff at the various locations on the applicable standards and the occupational safety measures to be observed.

Certified safety and union awards: All the operations in the German subsidiary operate a health and safety management system, which is certified to ISO 9001 as part of the integrated management system. CWS Deutschland is environmentally certified in accordance with ISO 14001. Furthermore, all the laundries in Germany are certified in accordance with ISO 14065. Special hygiene requirements are in place for the health care facility laundries and these are additionally certified in accordance with RAL-GZ 992/1 – 4.

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In acknowledgement of its high standards in terms of occupational safety and socially acceptable labour conditions over the years, the German subsidiary has been repeatedly honoured with the social award from the German trade union IG Metall and intex e.V. (an association of industrial textile service providers). The social awards from IG Metall are confirmation of the socially acceptable standards in place and compliance with the pay scale agreed to by the unions in all the German operations. 2.6% of the German workforce belongs to the Works Council.

Measures manual: The Irish subsidiary has developed a "Health and Safety at Work Manual, which provides staff with details of all the relevant guidelines and procedures for ensuring a safe working environment.

Training and inspections: Staff also undergo regular training and workstations are set up in line with the latest statutory requirements and assessed during workplace inspections. Commercial staff are provided with the necessary workwear and safety gear. Driver training for fleet staff also serves to increase safety.

Identification of potential risks: The current manual calculation of accident statistics is to be replaced in the near future by a standardised accident reporting system at Group level in order to initiate targeted accident prevention measures. Furthermore, internal campaigns on issues such as occupational safety are to be intensified.

As part of its long-term strategy, CWS-boco has set itself the goal of systematically analysing potential risks and remedying these in a sustainable manner so as to eradicate the causes of occupational accidents.

Integration of staff: In the German subsidiary, staff can submit suggestions for improvement at any time via the idea management scheme. At the request of staff, shift times are partly based on the public transport timetables. In 2013, a comprehensive package of measures was implemented on the subject of health management: CWS-boco Deutschland organised health days, Nordic walking groups were established at the initiative of staff with the company providing the necessary equipment and, in addition, a quit-smoking programme was offered. To improve workplace ergonomics, training sessions looking at how to sit, lift and carry loads properly were conducted in cooperation with the occupational health service.

In order to anchor the issue of health management in corporate culture in the long term, a health officer has also been appointed.

Measurement of results

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Compliance with the guidelines and requirements of ISO certifications is verified by means of regular internal and external audits. Furthermore, in 2013, CWS-boco Deutschland underwent the SEDEX-SEMTA 4-pillar audit and was subsequently awarded certification.

Regular international staff surveys assess employee satisfaction levels. A specific final evaluation of the survey enables CWS-boco to identify potential for improvement and further pursue positive developments. The next staff survey is planned for the end of 2014.

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Environment

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Environmentally friendly corporate actions are intrinsic to the leasing business model. CWS-boco has been following this entrepreneurial approach for decades. The CWS-boco motto is "Serving you – serving nature". The aim of all CWS-boco activities and processes is to leave behind the smallest possible ecological footprint. The protection of resources and extensive recycling mean this company is already leading the way in its sector in Germany. CWS-boco's environmental management system has been certified to DIN 14001.

In the company's laundries, great store is set by the responsible use of water. The CWS-boco laundries source their water from municipal networks, wells and rainwater. A more precise real-time reporting system on the sources is to be established in 2014 for all major operations. The goal for 2014 is a 5% reduction in water consumption across the entire CWS Group.

To improve the life cycle assessment of the CWS cotton towel rolls further, CWS Nederland has introduced organic cotton certified to the Global Organic Textile Standard GOTS as a pilot project in this country. This quality seal is an internationally recognised standard for the processing of textiles from ecologically produced natural fibres. Extensive energy saving measures, the optimisation of logistics and increased use of green electricity should also help to sink the Group's emission volume by 5%.

Further goals for 2014 are the ongoing environmental certification to ISO 14001 for CWS-boco SCM and other areas.

As regards product safety, in 2014, a large proportion of our workwear items, linen and the towel rolls are to be certified to the OEKO-TEX® Standard 100 again to ensure REACH conformity.

Implementation

At CWS-boco Deutschland for example, environmental issues are assigned to "Quality and environmental management" and are under the direct control of management.

The laundries use the water from washing the towel rolls to prewash the foot mats. Heat exchangers and washing cycles with low temperatures as well as the installation of water recovery tanks save primary energy and valuable water. CWS-boco employs the latest research findings and system and logistics innovations to optimise its laundry network.

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Primary energy savings: In 2013, CWS-boco's total energy consumption was 250,792 MWh. The washing and drying processes in the laundries are particularly energy intensive. The CWS-boco Group aims to increase energy efficiency per kg of laundry by 10% by 2014 (total value across the main categories towel rolls, mats and workwear) and further reduce this value by 30% by 2020.

Since the start of 2013, following CWS Nederland, Germany has also switched to green electricity. In doing so, it was possible to save the same amount of CO₂ as approx. 70,800 trees would absorb in one year!

In Ireland, CWS-boco installed an infrared control system for ironing, whereby the temperature and time are adapted to the thickness of the material and degree of drying. This has led to an up to 10% reduction in electricity and up to 11% reduction in heat energy.

A new finisher in the Polish town of Łódź consumes up to 15% less energy by combining drying and ironing.

In Austria, 80% of the conventional light bulbs in the laundries and offices have been replaced with LEDs.

Far-sighted fleet logistics: By optimising routes, the service fleets in the Netherlands, Belgium, Ireland, Germany and Switzerland combined were able to save around 510,000 km compared to the total kilometres driven in 2012.

The CWS cotton towel systems in all dispenser lines have been awarded the well-known "Blue Angel" environmental certificate according to RAL-UZ 77*. The CWS cotton towel roll is certified in accordance with the OEKO-TEX® Standard 100.

* Applies to the following subsidiaries: CWS-boco Deutschland GmbH, CWS-boco BeLux N.V., CWS Nederland B.V., CWS-boco Suisse SA, CWS-boco Italia S.p.A., CWS-boco Ireland Ltd.

The goal of holistic recycling: CWS-boco products contain a wide variety of raw materials. The sustainability concept is based on the comprehensive recycling of these raw materials. In the long term, a holistic recycling concept will be developed based on the notion of a "zero waste policy".

Measurement of results

A special energy purchaser has been appointed by CWS-boco SCM who works to guarantee the procurement of cost-efficient, environmentally friendly electricity.

By establishing a sustainable supply chain, CWS-boco SCM demonstrates that it takes its CSR mandate seriously and is a trustworthy partner offering high-quality solutions which prioritise

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humankind and nature. With these goals in mind, the company has issued specific action plans and goals for every purchasing area.

The deployment of CWS-boco experts to external production partners as well as tests performed by independent institutes guarantees the consistently high quality of textiles and compliance with all relevant standards.

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Anti-corruption

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CWS-boco strives to achieve a transparent business culture. The company published its own internal Code of Conduct back in 2011 and this was redistributed to staff and managers in 2013 via e-mail and displays in the companies. Regardless of their position, all staff are obliged to comply with the principles laid out therein.

Implementation

The internal Code of Conduct essentially comprises rules on responsible, morally correct and respectful business practices whilst observing strict ethical standards.

Training conducted by the compliance officer: The dedicated compliance officer ensures that compliance training sessions focusing on competition law and the combating of corruption are carried out. To this end, the company specifically clarifies how staff in the relevant areas, essentially purchasing and sales, should conduct themselves on behalf of the company. In 2013, more than 120 employees in Germany, Ireland and Sweden received personal training in this way. The introduction of an eLearning platform is planned for the future to offer training throughout the Group and reach all employees.

Establishment of a compliance helpline: Above and beyond this, the company set up a compliance helpline in September 2013, which is currently available to all staff in Germany. If they so wish, staff can remain anonymous and call this line to receive advice on legally correct conduct for business activities or report abuses. Should colleagues, superiors or entire bodies within CWS-boco fail to act correctly or breach the above-mentioned Code of Conduct, an external law firm can be called or e-mailed. The external compliance helpline also offers assistance on conflicts between business and personal interests.

Staff communication: This service was communicated via all the available channels, such as e-mail, the Intranet, the staff newsletter "One" and posters in the operations.

Adoption of Compliance Guidelines: The goal for 2014 is the drafting and adoption of Compliance Guidelines for the company as well as the establishment of a compliance reporting system. In addition, the compliance helpline should also be made available to staff in other CWS-boco countries.

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Measurement of results

Together with the contact persons in the CWS-boco Group companies, the compliance officer is responsible for communicating compliance issues within the company and also for realising any measures which are necessary as well as measures agreed with the Management. The officer is additionally responsible for monitoring and assessing results.