**Statement July 20, 2016 DEICHMANN Group**

1. **Does your company source from Eastern Europe? If yes, from which countries and what are the shares?**

As a footwear retailer Deichmann also purchases products from European shoe manufacturers. However, Deichmann has no direct business partners in the Eastern European footwear sector.

Usually Deichmann buys products from collections of Italian and German shoe manufacturers. These shoe manufacturers mostly have their own production facilities in Eastern Europe or have local partners who produce their products (or parts of them) in Eastern Europe. Deichmann takes no influence on the selection of production sites. An exception is the sourcing in Poland. Here we source a part of the slippers directly from local producers. The share of European products of the Deichmann collection is approximately 15%. All production facilities in countries of risk are regularly monitored by independent auditors.

Production countries Eastern Europe: i.a. Albania, Bosnia & Herzegovina, Macedonia, Poland, Romania, Bulgaria

1. **How does your company assess the wage levels and make sure that the amount it pays is enough for a decent wage?**

Our company has a Code of Conduct which covers social and environmental requirements (based on BSCI Code of Conduct and ILO). It is valid for all Deichmann business partners and sub-contractors along the supply chain.

The intention of the Deichmann Code of Conduct is to establish and develop its social and environmental standards with suppliers and subcontractors, and not simply to terminate the business relationship in the case of non-compliance. Our general rule is that our business partners must, in all of their activities, follow this Deichmann Code of Conduct.

Compliance is regularly monitored in accordance with BSCI regulations by independent auditors. Our business partners have to ensure that the calculated "living wages" are actually paid to the employee.

There is no standardized way of calculation, because every region has its own conditions. For example Tax system, free transportation, social insurance, food vouchers etc. The factory management is using public available data, like a food basket to calculate the living wages for the respective regions.

In addition the new BSCI 2.0 Auditing protocol includes an overview of

1. Legal minimum wage

2. Calculated living wages (regarding the SAI standards - worker interviews) and

3. Minimum amount paid to the workers

Prior to the audit, the auditor estimates and calculates living wages in the region. He/she uses his tab to assess the auditee’s ability to provide coherent information on these topics. The auditor shall not aim at comparing his/her own calculation result to the one provided by the auditee. At this point, the auditor is asked to evaluate the level of understanding that management and workers have about:

* Living costs of the workforce in the region
* Possible gaps existing between the actual remuneration and the fair remuneration figure
* Identifying potential actions to fill the gap the auditor may need to consult additional sources to find out more about regional contexts:
* Government data (statistics, community development departments)
* Local or international NGOs working in the area and addressing the sector
* Community groups who may have answers to some of these questions

**Europe:**

Even in the event that we do not maintain a direct relationship with a production facility in Eastern Europe, we require compliance with our Code of Conduct. During our on-site visits in Eastern Europe we require the prepared Living wage calculation according to the SAI Standards.

**Asia:**

We are in very close contact with our direct shoe producers in China, Vietnam, India and Bangladesh to discuss the topic of living wages.

1. **What wages does your company pay at its 5 top suppliers? Please, specify countries.**

The Deichmann Group maintains a long-term and sustainable business relationship with the most important manufacturing partners in Asia. The top 5 suppliers are all based in China and produce an annual output of more than 70 million pairs (40%) of shoes for Deichmann Group. The amount of the paid wages in any case more than the local calculated living wages.

1. **What wages does your company pay at factories in Eastern Europe, including Albania, Bosnia & Herzegovina, Macedonia, Poland, Romania, Slovakia?**

As a footwear retailer Deichmann sources (with the exception of Poland) no products directly from Eastern European manufacturers. Deichmann buys products from collections of Western European shoe manufacturers. These shoe manufacturers mostly have their own production facilities in Eastern Europe or have local partners who produce their products (or parts of them) in Eastern Europe. Deichmann takes no influence on the selection of production sites. Even in the event that we do not maintain a direct relationship with a production facility in Eastern Europe, we require compliance with our Code of Conduct. During our on-site visits in Eastern Europe we require the prepared Living wage calculation according to the SAI Standards.

1. **How does the company make sure that PPE is provided? Is your company aware of the issues described in "Labour on a shoestring" report, such as hot/cold temperatures, fainting, etc.? If yes, what does the company do about it?**

We attach great importance to the adherence of our social and environmental standards. All factories are providing the PPE free of charge. We ensure the safety of workers by doing regular BSCI Audits - in the Performance area "Occupational health and safety" the auditor monitors all PPE requirements and fire and building safety. Our global quality team regularly monitors the production on-site. If violations of the law or of our Code of Conduct be established this is discussed locally with the responsible production managers.This also applies to the workplace conditions such as excessively high or low temperatures.

Regarding the working conditions at the Macedonian shoe manufacturer, we state the following:

The irregularities that are described in the "Case Study" of the "Change your Shoes" correspond, according to our own investigations and even those of third parties are not reflecting the actual conditions at the mentioned manufacturers. On our behalf the Macedonian shoe producer was last audited by “TÜV Rheinland” in May 2016. We have copies of the relevant reports.

According to our information, the statements of "Change your shoes" about the factory of the producer in Macedonia based on interviews with just two out of 1.000 employees. The initiative has obviously never seen the inside of the factory and therefore had no access to the documents necessary for the examination. We have asked "Change your Shoes" to share the actual responses from their interviews with us but to no avail.

The company has been audited three times by different independent audit companies. Among others there was an unannounced inspection in April 2016 by ETI-standard. So exactly the standard requested by authors of the report for such kind of investigations. To evaluate the claims, two teams from our CSR department have checked the situation on- site in Macedonia after the publication of the report again - most recently in late June 2016. Again there were no irregularities found.

**Medical Checks**

The factory

* regularly provides medical checks for the employees as required per Law every 18 months on company’s account
* pays monthly the health insurance as part of the gross contributions to the salary
* persuades the employees to go and ask medical help, since those services are

covered by their medical insurance

* A medical statement report for each employee is created and given only to the employees, the company does not have right to keep a record