



BLACKOUT AG
Annual CSR Report 2009



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BLACKOUT



History

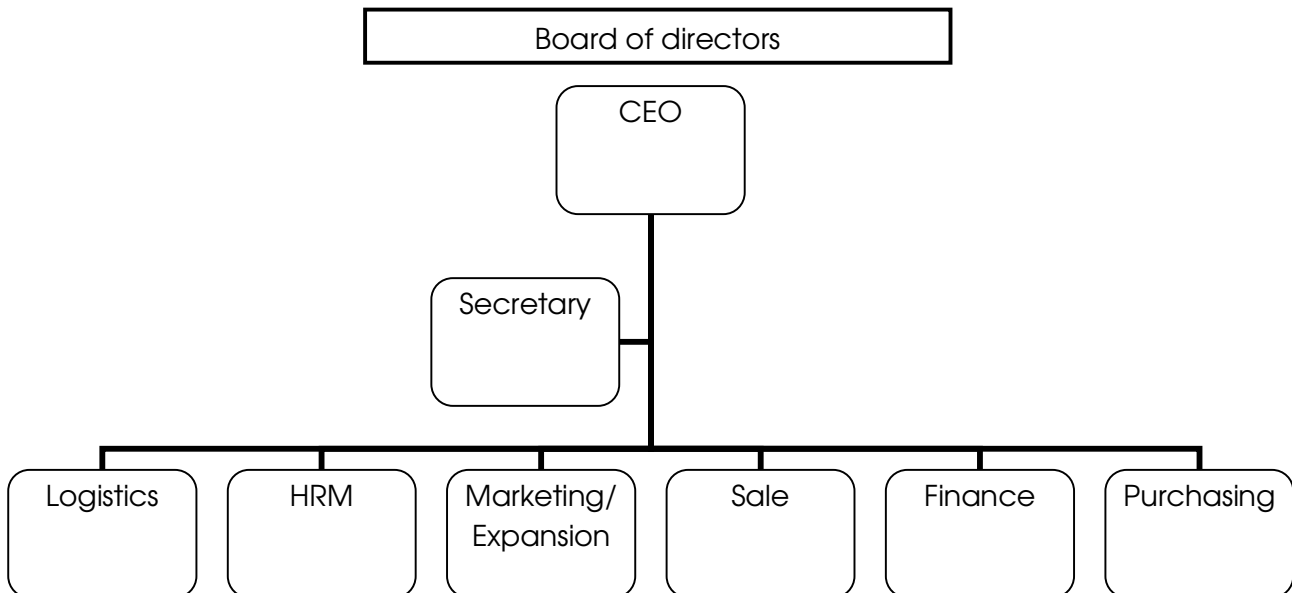
BLACKOUT is a Swiss family-owned business. Its foundations were laid in 1963, when Mr Erich Metzler opened a first shop in Aarburg, Switzerland, and later on additional outlets elsewhere under the name of Metzler-Textil.

In 1990, the 2nd generation took over the business with the vision to maintain the successful past strategy while realizing new ideas. The fashion business BLACKOUT was born.

Today, BLACKOUT owns over 75 shops across Switzerland and has around 400 employees. BLACKOUT sells trendy garments for young and fashion-conscious people.

BLACKOUT

BLACKOUT Organisation



Headquarter (national company)	BLACKOUT AG, Eichengasse 3, CH-4702 Oensingen
Founding Metzler Mode	1963
Founding BLACKOUT	1990
Personnel	Board of directors CEO Logistics HRM Marketing/Expansion Sale Finance Purchasing
Personnel total at the end of 2009	Around 400
Stores at the end of 2009	75
More information	www.blackout.ch

BLACKOUT



Philosophy / Concept

BLACKOUT gurantee for quality and good service. The BLACKOUT Fashion should be a source of amusement. Style for young people and some who are young at heart.

BLACKOUT Fashion

The BLACKOUT Fashion has the distinction of a very good price-performance ratio. BLACKOUT sell trendy fashion in a proper quality. Style for young people and some who are young at heart.

BLACKOUT Jeans is Love



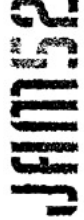

BLACKOUT is renowned for Jeans and everything which fit with it. Jeans is Love, a passion, an attitude and culture. Jeans is more than a piece of fabric. Jeans is like a seconde skin. Just – Jeans is Love!

BLACKOUT Service delivery

A good service delivery is important for BLACKOUT. Every client should be satisfied altogheter.

BLACKOUT

BLACKOUT Labels

<p>No Name</p>  	<p>No Name – Jeans, the trendsetter through and through. Mix your style with a fitting Jeans! No Name the brand for your personality and image.</p>
<p>G3000</p>  	<p>G3000 – for a sporting and casual mix. Comfortable casual clothes and sportswear. Combination for every day.</p>
<p>Mijoko</p> 	<p>Mijoko – the modern and classical style. Elegant but casual. A lifestyle, tally with the spirit of the time.</p>
<p>JAM52</p>  	<p>JAM52 – Streetwear Fashion for all type, who like a positive impression. Individuality against business. Get your own style!</p>
<p>PiNK</p>  	<p>PiNK – has a clear mission: Jansbrand for cool girls, who are in mode. Wear our fashion and show who you are. Live your life, follow your dreams and the future is yours!</p>

BLACKOUT



Membership

Since 2005, BLACKOUT stand up for a corporate social responsibility (CSR). Lots of institutions were vet and BLACKOUT has decided for Fair Wear Foundation. BLACKOUT is member since 1.1.2009.

BLACKOUT is involved for social responsibility for human being and environment. BLACKOUT stand up for fair labour standards for the clothing industry. BLACKOUT is involved and undertake to implement the code of conduct and try to generate by courtesy of the corrective Action Plan (CAP) an improvement within the time limit prescribed for human being and environment.

BLACKOUT use the following methods for the verification, if the code of conduct is implemented correctly.

- Grievance procedure anonymous for employee
- Consultation of national organisation (employer's representative and organisation of Human Rights)
- Social audits in association with Fair Wear Foundation.
- Management System Audit of the stakeholder.



CSR goals 2010 / 2011

The BLACKOUT CSR goals for the year 2010 defines the following milestones:

Social audits / Corrective Action Plan (CAP)

- Steady improvements of the working conditions in the factories.
- We would like to do some more audits in China.
- In 2011, social audits in Turkey would take place.
- Follow up on Corrective Action Plan as the outcome of social audits.

Communication, organisation, transparency

- A faire partnership and cooperation with suppliers, agents and subsidiaries.
- To maintain the BLACKOUT Code of conduct.
- Internal communication (headquarter), information about the improvements.
- Examination of a FWF-Hangtag on the clothes at a later time.



BLACKOUT Code of Conduct

BLACKOUT is member at Fair Wear Foundation since 1st of January 2009. This code contains a set of internationally accepted labour standards, and these should be observed in all the workplaces where our garments are produced. The Fair Wear labour standards are based on the conventions of the International Labour Organisation (ILO) and the Universal Declaration on Human Rights. In the text below references are made to specific conventions. Where clarifications of ILO Conventions are required, the Fair Wear Foundation follows ILO Recommendations and existing jurisprudence.

- **Employment is freely chosen**
There shall be no use of forced, including bonded or prison, labour. (ILO Conventions 29 and 105)
- **There is no discrimination in employment**
Recruitment, wage policy, admittance to training programs, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies, or handicaps. (ILO Conventions 100 and 111)
- **No exploitation of child labour**
There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years." (ILO Convention 138) "There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt 2 The Fair Wear Foundation - Principles and Policies - May 2002 6-2 bondage and serfdom and forced or compulsory labour. (...) Children (in the age of 15-18) shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals." (ILO Convention 182)

BLACKOUT

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

The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Conventions 87 and 98) The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions. (ILO Convention 135 and Recommendation 143)

- **Payment of a living wage**

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

- **No excessive working hours**

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required 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, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate. (ILO Convention 1)

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- **Safe and healthy working conditions**

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

- **Legally-binding employment relationship**

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.

BLACKOUT has committed itself to correct implementation of that code of conduct:

1. BLACKOUT undertakes to only trade in garments that have been produced under dignified working conditions.
2. To that end BLACKOUT agrees to implement the Fair Wear labour standards (section 3) in its factories and agrees to put sufficient and effective efforts into ensuring that this code is followed by its contractors, subcontractors, suppliers, and licensees.
3. BLACKOUT undertakes to assure that its contractors, subcontractors, suppliers, and licensees abide by the standards established in the Fair Wear Foundation Code of Labour Practices and shall work toward the verification of these standards.

BLACKOUT

4. BLACKOUT shall stipulate that contractors, subcontractors, suppliers, or licensees who demonstrably fail to comply with one or more of the standards laid down in the Fair Wear Foundation Code of Labour Practices, take appropriate measures to ensure that the situation is improved. If necessary, the offending party shall be sanctioned by cancellation of its contract, thus prohibiting it from producing or organising the production of garments for BLACKOUT.

5. BLACKOUT declares that it agrees to independent verification of its compliance with the Fair Wear Foundation Code of Labour Practices and in that regard undertakes to follow the instructions of the Fair Wear Foundation.

6. Disputes regarding the interpretation of this Code of Labour Practices will be handled according to procedures established by the Fair Wear Foundation.

BLACKOUT



Sourcing strategy

Sourcing strategy

BLACKOUT has a wide range of products, but the main emphasis is on jeans. The concentration is at the own production and seek to produce in a few different countries and suppliers. Its important to look after the long-term partnership with the suppliers. The reason of this strategy is simple: fewer supplier – fewer energy. The suppliers were visited several times a year.

Furthermore, BLACKOUT works with agents on the basis of tag on order system.

Organisation of the sourcing department

Das CSR BLACKOUT-Team is as follows:

Sourcing Policy (external communication)

Gerald Metzler (CEO)

Administration (Monitoring, CAP, Complaints, trainings, social report, Workplan)

Jeannine Lanz

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Visits / Corrective action plan on the spot

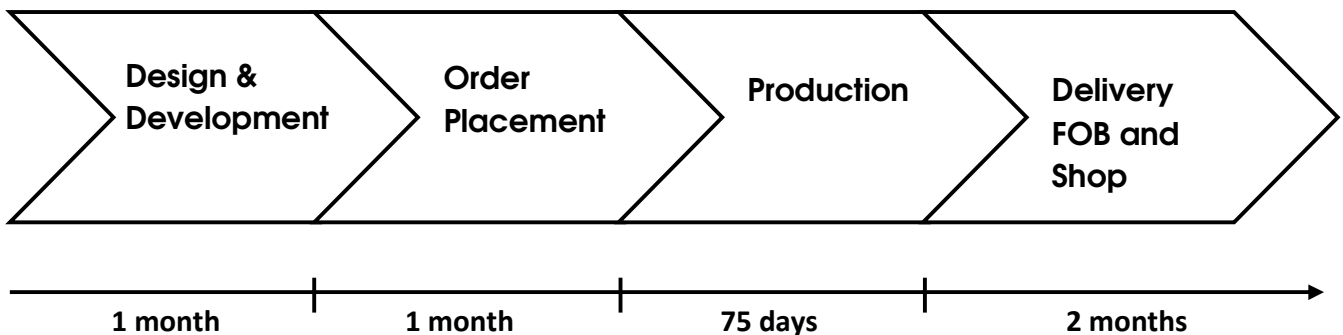
Gerald Metzler

The decision on placing orders is taken in the BLACKOUT purchasing department. Kapazitätsmöglichkeiten und Liefertermine werden mit dem Lieferanten abgesprochen.

Production cycle

BLACKOUT generate around 12 collections per year. Manufacturers are informed in advance about orders about 4 to 6 months (Far East) respectively 1 to 2 months (Turkey).

Example of a collection (Far East)



The goods have been transported by sea and in exceptions by air (1-2 per year)

Pricing

Importance:

1. Fashion degrees and quality
2. Price

The efficiency in the factories does increase with a good organisation and therefore results a better pricing for both. The code of conduct helps for an better organisation and through them an improvement in efficiency.

BLACKOUT

Selection of new factories

New factories will be informed to fill out the questionnaire and to accept the Code of Labour Practices. It needs convincing and positive discussions with the supplier. It's important, to discern the advantage for the supplier and for BLACKOUT (improvement in efficiency, quality improvement, improvement of the employee satisfaction). The supplier will be informed about the goals and tasks and he will receive the questionnaire to fill in. If he agrees with the implementation of the code of labour practice, he has to sign it.

Integration monitoring activities and sourcing decision

The code of conduct is an important criterion in the purchasing department with regard to the order placement. BLACKOUT cultivates always open discussions with the suppliers and agents. The CSR strategy will be a part of them.



Coherent system for monitoring and remediation

BLACKOUT would like to convince the suppliers and agents of a social responsibility and an improvements of working conditions. In our experience, we can say that the suppliers and agents have a positive interest at the implementation of the code of conduct. Nevertheless, it needs convincing and positive discussions with the suppliers and agents. It's important, to discern the advantage for the supplier and for BLACKOUT (improvement in efficiency, quality improvement, improvement of the employee satisfaction).

Social Audits by Fair Wear Foundation:

As BLACKOUT wants to perform social audits through an external, independent company, it engages audit teams trained by the FWF to carry out factory audits. 3 producers have been audited independently by the FWF in 2009 in China. In total 40% of the overall value of goods. In 2010 FWF has already been audited 2 producers. The results are listed under the following chapter. For everything social exist an corrective Action Plan (CAP).

FWF is informed about all those matter and FWF and support BLACKOUT in a steady improvement.

Corrective Action Plans (CAPs):

As a follow up on these social audits, we make agreements with the producer regarding an improvement plan on the basis of the results of the inspection. This follow up is called Corrective Action Plan (CAP). The corrective action plan of every audit is a current working paper by what helps define solutions for an increase in improvements. BLACKOUT support the suppliers and agents, in consideration with the corresponding state law. Moreover, it will search some solutions in co-operation with FWF and their local partner.

Verifications / Improvements

Primarily, some improvements were made if possible from the BLACKOUT headoffice. In addition the producers have been visited and inspected one or twice a year by the BLACKOUT staff (CEO or purchasing department). During this visit, the improvements were inspected, other open points on the CAP were discussed and if necessary, we search some possibilities with local partner.

BLACKOUT

Complaints procedure

The FWF complaints procedure allows workers, their representatives and other parties to file complaints about working conditions and the way the Code of Labour Practices is implemented in factories producing. The complaints procedure is intended as a safety net. If a complaint is filed and deemed admissible by FWF, BLACKOUT will be contacted. FWF investigates the complaint.

Management Audit

Once a year, the FWF also audits BLACKOUT in the sense of process support. Devices are the supplier register and interviews. The result will be reported.

Workplan

BLACKOUT draws up a workplan every year which is then submitted to the FWF. That confidential document records which activities are planned for the following year. The workplan for 2010 was submitted to the FWF on time at the end of 2009.0

Country	No of Audit	Date of Audit	Next audit planned
China	3 2	März / April 2009 Januar / März 2010	2010 2010

BLACKOUT

Monitoring activities and outcomes (5 audits total)

Area of reporting	Country	No. Of Findings	Open findings	Closed findings
Code awareness	China	3	0	3
No forced Labour	China	1	1	1
No discrimination	China	1	1	1
Freedom of association	China	5	5	5
Payment of living wages	China	5	5	5
Overtime	China	4	4	4
Health and safety	China	5	5	5
Employment relationship	China	3	3	3

BLACKOUT



Training and capacity building

Activities to inform staff members

We already informed all our staff through the internal newsletter and our website.

The staff which is involved in the execution of monitoring activities will be informed by a regular internal meeting.

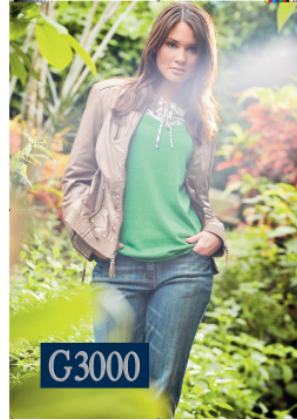
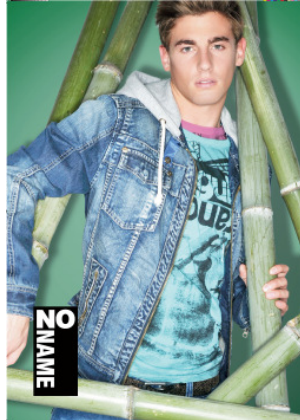
There is a individual meeting before every supplier or agent visit. The CAP is an important aid. By means of this CAP, it will be strive for a improvement in the factory.

Activities to inform agents / manufactures and workers

The purchasing informed and explain the editions and co-operation with FWF by phone or during the personal visits at the factory. They explain the process of the questionnaire and inform about our goals with this co-operation.

Firstly the information for the supplier or agent will be in writing letters and secondly personal during the trip in the factory. The information will be the implementation of code of conduct, the goals, strategy and co-operation.

BLACKOUT



Transparency & Communication

We don't have to place advertisement at the moment. For the present, we would like to audit more suppliers (condition in 2010) and realize the improvements. Besides the communication about the membership is published on our website. A widening in this line of business is planned.



Conclusions 2009 and outlook for 2010

The condition of social audit have been reached and in 2010 two more factories have been audited. The producers have signed the code of conduct. New suppliers will be add, as already mentioned.

BLACKOUT is involved for social responsibility for human being and environment. BLACKOUT stand up for fair labour standards for the clothing industry in 2010 as well. BLACKOUT is involved and undertake to implement the code of conduct and try to generate by courtesy of the corrective Action Plan (CAP) an improvement within the time limit prescribed for human being and environment.

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Gerald Metzler, Jeannine Lanz

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