

To: Business & Human Rights Resource Centre

December 11, 2017

Working Conditions in Europe: Your E-mail from November 24, 2017

Dear Ellen Skybenko and Christen Dobson,

Thank you for your email in regards to the latest reports of CCC (Clean Clothes Campaign) concerning the situation of workers in the Eastern European textile industry. Peter Hahn was listed in the country profile Hungary and we would like to respond to this study. We share your goal of fair working conditions in the global supply chain and would like to take this opportunity to inform you about our strategy and actions.

For us at Peter Hahn, taking responsibility means compliance with social standards and fair treatment of partners and suppliers – this is an integral part of our ethos and corporate strategy. For this reason, we have had a sustainability department at Peter Hahn since 2012. The focus of this department is on social compliance in the supply chain: visiting factories, overseeing social audits, working with the producers on improvements and providing workshops about social compliance. Our staff from buying and quality departments also visits the production sites on a regular basis and addresses the topic of social standards. Also very important is the fact that we have long term partnerships with our producers, sometimes for more than 20 or 30 years.

Due Diligence

Due diligence to us means: in which countries can we rely on laws and their implementation (low risk countries: therefore we do not need social audits) – and on the other hand: in which countries are laws lacking or not enforced properly (risk countries: BSCI audits are therefore a necessity).

As a member of BSCI (Business Social Compliance Initiative) – the leading global business association for open and sustainable trade, Peter Hahn and TriStyle use the **BSCI risk classification** as a tool to calculate this risk: For Eastern Europe, there are both risk countries (i.e. Ukraine) and low-risk countries, such as Hungary. For more information about the BSCI risk classification, please go to: http://www.bsci-intl.org/sites/default/files/countries_risk_classification_final_version_20140109.pdf

BSCI audits require the payment of at least the local minimum wage. Producers are also encouraged to discuss the necessary local living wage with their workers. BSCI provides helpful tools for this approach. The calculation of the respective living wage is also part of the BSCI audit.

Production in Hungary/ CCC country profile Hungary

We have only one direct supplier in Hungary – a long-term, renowned supplier with renowned customers. Our quality technicians visit this factory regularly.

We immediately addressed this topic with our Hungarian supplier when we first read the CCC study. In regards to wages, our supplier informed us that the minimum wage in Hungary was raised by 20% in 2017. The wages of employees at the Hungarian factory (after taxes etc. are deducted) are about 40% higher than the minimum wage.

For an overview of our approach towards sustainability, we would like to refer you to our website at: <https://www.peterhahn.com/en/sustainability/>

We hope this statement gives you interesting insights into our due diligence approach and the various efforts which we are undertaking in regards to social compliance.

Best regards,



Stefan Kober
Managing Director of Buying
Chairman of the Management Board



Jörg H. Mahncke
Head of Quality Management
and Sustainability