

DAWN

Social Report 2021



Environmentalist.

Reporting period January 2021 to December 2021

Our Vision

At Dawn, we aspire to be more than just a collection of beautiful pictures and smart slogans. We are not a glossy brand that hides behind certificates and pretends that the world is intact. Sustainability, fairness and environmental awareness are not buzzwords for us, but complex topics and constant challenges.

Despite the pandemic, we keep supporting better working conditions in our own factory, even though we are a Fair Wear Leader with a 100/100 score.

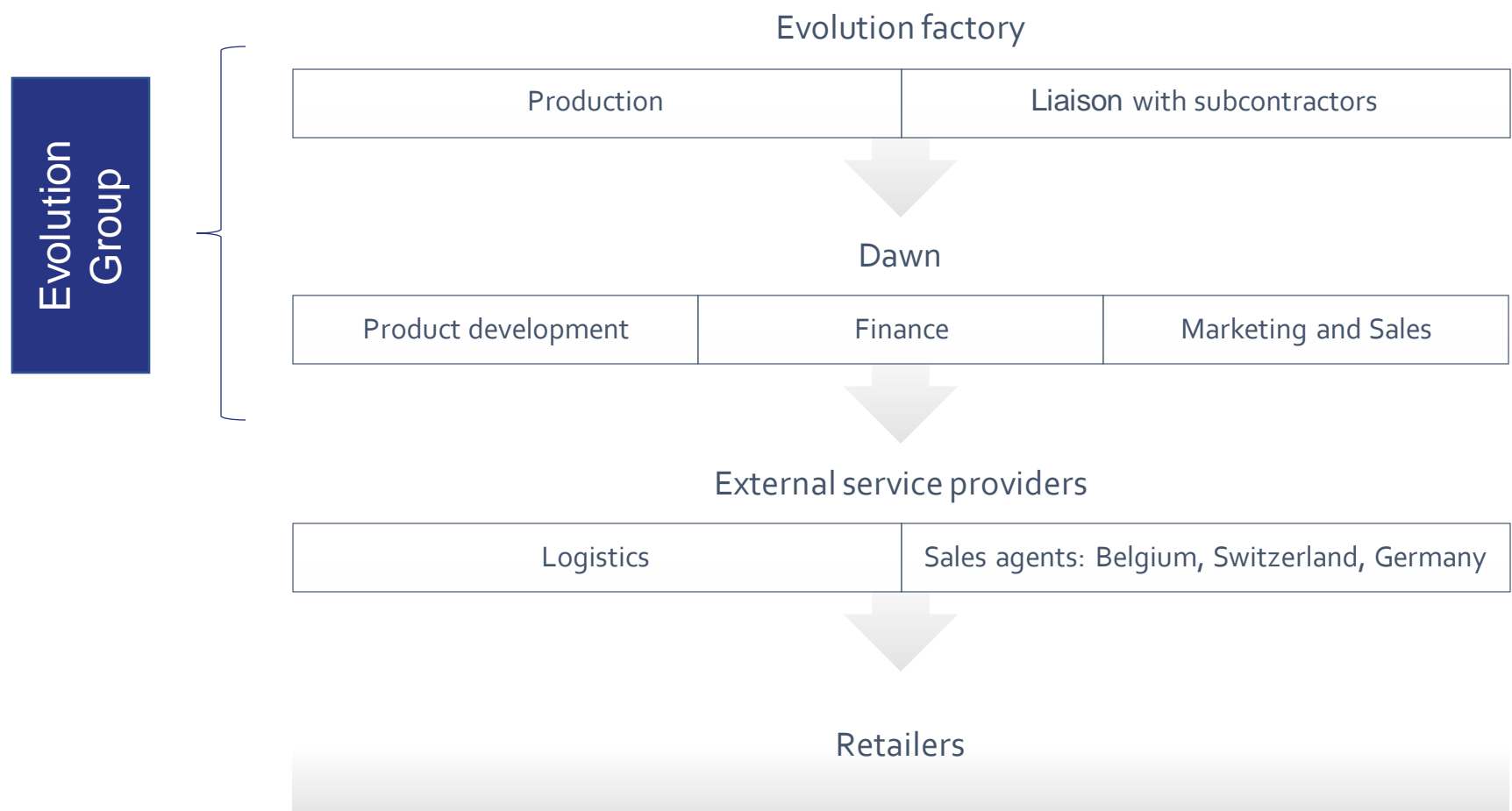
We believe in radical honesty and transparency, sharing our downfalls and mistakes, but also achievements and progress made. And this is exactly what this report aims to achieve.



Organizational chart

We have been working in the fashion industry long enough to know things need to change and that change will only be possible with a fresh start. Unlike other brands which spread their supply chains across several countries, our production is in one place; a factory in Saigon, Vietnam, that was built for Dawn and is called Evolution.

Here is how our teams, production and sales are currently organized.



Organizational chart

Instead of showing our internal organization, this chart allows to follow the journey of our jeans. The journey starts with the production in our factory and ends in the shops where they are sold. We are working on getting to know all of our suppliers so that one day this chart can even show the farm where our organic cotton comes from. What can be seen here is quite unique though since Dawn produces in one unique production location. Most brands do not own their factories and have multiple suppliers to monitor for social compliance.

Here, Dawn and the factory, where our products are made, belong to the same company: Evolution Group. It allows for a very close working relationship, which means Dawn knows in real time the stage of production and can directly discuss any arising issues, in particular issues concerning workers' welfare.

2021: Goals & Achievements

Our unique supply chain structure has enabled us to test and analyze improvements that have a direct impact on the workforce. It has given the company high leverage and stable, personal relationships to invest in good labor standards. By working on improvements from an external audit as well as its own internal audits at the production location, the company monitors 100% of the total production volume.

However, regarding progress made on our Fair Wear Workplan objectives for 2021, which included improving Social Dialogue, reducing overtime and improving on the topics of Living Wage and payment scheme, most related projects were put on hold and postponed because of the pandemic. Whereas activities in Europe were starting off again, Vietnam was under a strict lockdown from July to October 2021. Thus, for instance, Fair Wear WEP communication training could not take place and will be carried out in 2022.

The whole company, including the brand Dawn and Evolution factory, had to shift priorities to manage the ongoing pandemic-related issues, in particular, logistics and fabric stock due to other brands' order cancellations and importing from China as well as organizing remote work and supporting the workers affected by the lockdown and keeping the business afloat.



Sourcing & Pricing

At Dawn, we believe the best way to empower workers is to provide them with a safe work environment, decent wages, and opportunities to grow. Our unique supply chain structure has enabled us to test and analyze improvements that have a direct impact on the workforce. It has given the company high leverage and stable, personal relationships to invest in good labor standards.

By working on improvements from an external audit as well as its own internal audits at the production location, the company has monitored 100% of total production volume.



Living Wage & Fair Pricing

We have a strong commitment to creating a satisfying work environment, and workers must be paid fairly and appropriately for their work.

Using the so-called Anker Methodology, we calculated the Living Wage with the aid of an internal survey. In 2019, the HR & CSR team in the Vietnam factory conducted a survey in the local market and calculated food and housing costs in the area. In doing so, we were able to analyze and compare the findings with the information from the Living Wage Coalition estimate. We also took into consideration costs of transportation, child education, unexpected expenses and savings. In addition to a secure income, we offer our employees private health insurance, which covers one additional family member as well.

We have access to all the information of the payrolls, and we know the exact link between our prices and the wages. Dawn pays the true cost of the product. For 2020, we did not re-conduct the survey, but applied an increase by the inflation rate 2.5%. In 2021, there was no wage increase, but a bonus was paid during the lockdown to support all employees.



Production Cycle & Planning

At Dawn, we produce two collections every year: spring/summer and autumn/winter. Our production cycle begins with design and development, during which our design team in Berlin works with the development team in Vietnam from the beginning of the development phase. This helps both parties plan the sampling schedule and the number of styles in the coming season. The tight collaboration also helps the teams to spot possible production issues at an early stage. For instance, if a fabric requires a longer lead time, the merchandiser in Vietnam can report at an earlier stage to Dawn's design team. Together they can either decide to order the fabric earlier or change to another fabric with a more suitable lead time for production. This helps mitigate bottlenecks during bulk production in the later stage.

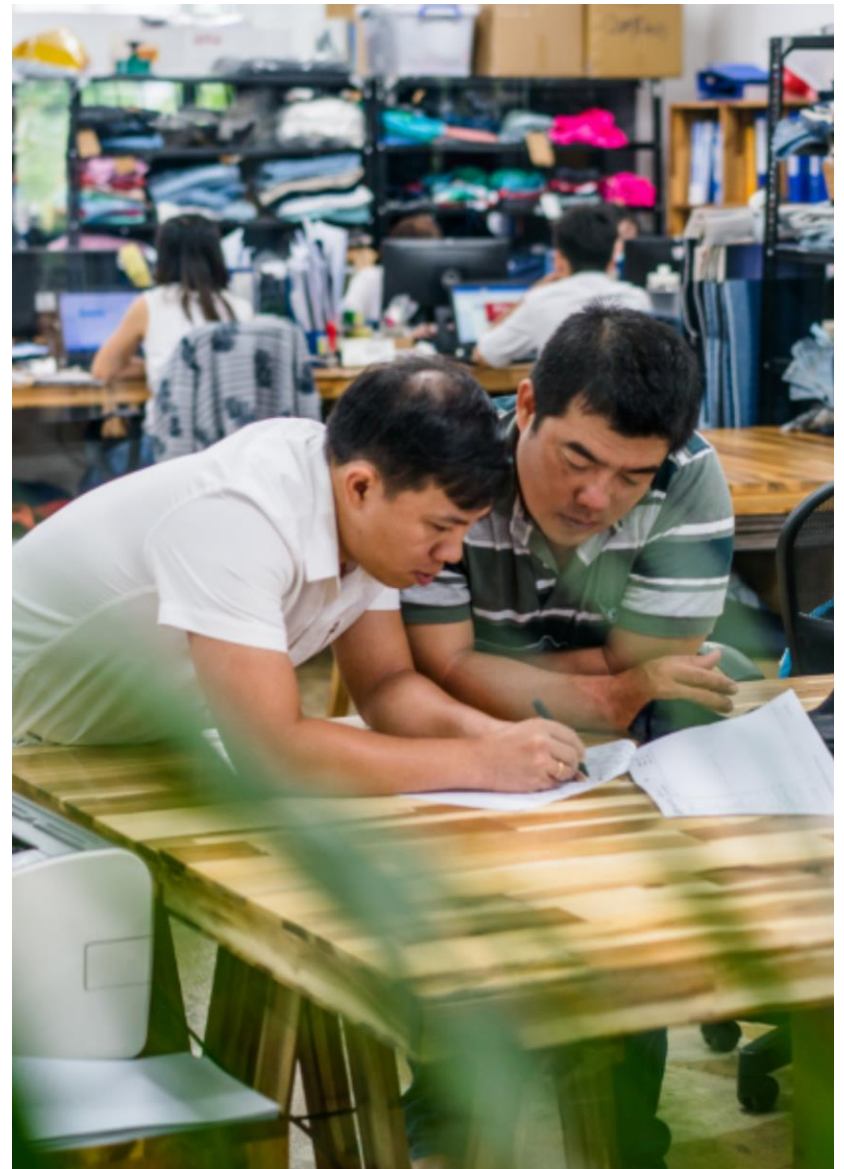
In 2021, Dawn reduced seasonal collection items and significantly increased the share of Never Out of Stock and basic products to increase production and operational efficiencies. This reduces stress during production, which was previously closely related to the number of styles made in limited quantities. Dawn also shifted from four to five shipments a year to three shipment windows to grow the brand and at the same time minimize bottlenecks as much as possible.

There was still some overtime work in 2021 at Evolution, however always within the legal limits. It is difficult to discern where the issue is rooted, but workers usually prefer to work overtime to earn more salary.

Production Cycle & Planning

Dawn and Evolution established a weekly meeting routine, in which we touch base with the factory manager as well as the merchandising and purchasing teams. Any issues related to production schedule, material delivery and so on can be brought up, and resolved collectively. Together with the design and sales team, it is decided how to split orders over different windows. Our close relationship with the factory also enables us to know the capacity and situation of the production floor.

The factory has the freedom to look at the styles and decide when to start production according to their capacity and to ensure production lines run efficiently while limiting overtime. Dawn even tried to give access to real time sales data from Europe to the factory, so the factory could even plan re-orders independently. However, the ERP systems were not fully synchronized properly and the factory staff not ready to take that responsibility on yet.



Factory Manager, Thien & Quality Technician Vu went through the order.

Factory Relations

Since we have a very simple supply chain structure, we do not have Tier 1 supplier evaluation. We prefer to build and maintain long term relationships, especially with our laundry subcontractors, as we believe that time and commitment is the foundation of trust.

In 2021, Dawn started to work with a new laundry subcontractor. The selection process involved:

1. Capability in high-tech washing processes, including machinery, factory set-up, wastewater management system and environmental management system.
2. The CSR team in Vietnam was in touch with the supplier in 2020, conducted an audit and created a CAP when issues were found.



Ben from the Dawn Team on his last visit to our laundry got the coolest picture on denim!

Monitoring & Remediation

The CSR personnel located in Vietnam works in the factory, so she can inspect issues directly on-site and touch base with the factory management team for remediation. Internal audits are conducted once a year. Based on the audits' results, a corrective plan of action is developed, implemented and followed up on a regular basis. Subcontractors are informed about the Fair Wear Code of Labor Practices and the posters are posted across the factory floors.



Our Factory in Vietnam

The local CSR staff was able to conduct onsite audits at Evolution factory as well as at the laundry facilities. The only difference was to adapt visits and work within the limits of the COVID-19 restrictions and lockdown.

The last BSCI audit took place in November 2020, resulting in a C grade rating. In October 2021, the CSR staff conducted an internal audit as a follow-up of that result. The result achieved is equivalent to a B grade. The findings of this internal assessment and their remediation are listed below.

1. Payment of a living wage and legally binding employment relation

- An issue regarding severance payment for a worker which contract was terminated in 2019 was found in 2021 and resolved through settling the payment.
- It was also noted that female workers nursing a child less than 12 months old are not assigned to do an easier job, or a safer job, or entitled to a one-hour reduction of their daily working time. All females nursing children less than 12 months old are entitled to a 7-hour workday at the factory (Article 137.2). To comply with the law, Evolution paid back the salary of one hour for female workers nursing children under 12 months, from January to September 2021. From October 2021 onwards, they are entitled to one hour of rest.

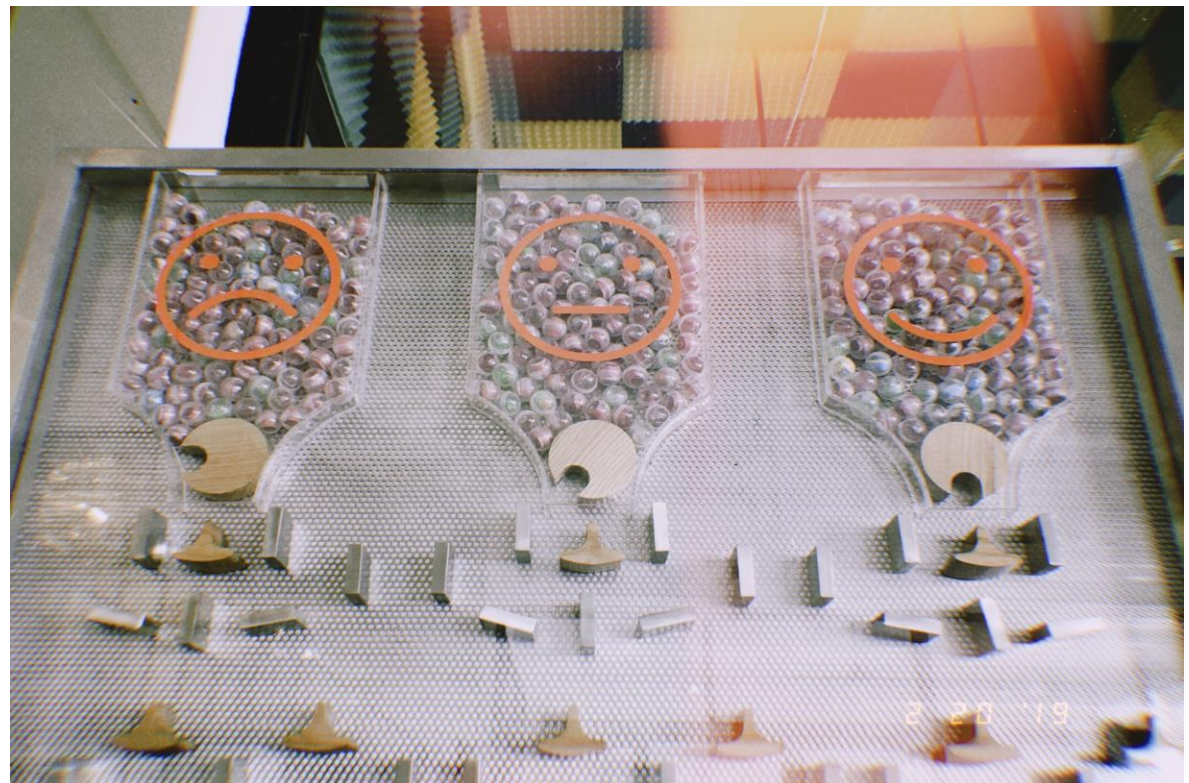
2. Safe and healthy working conditions

- Because of the pandemic, the factory was not able to provide health check-ups twice in 2021, as required by law on occupational safety and hygiene (Law No. 84/2015/QH13), Article 21. Only one health check-up could take place in November after the lockdown.

Complaints Handling

Internal complaint management is a crucial part of ethical social compliance. No employees should feel threatened to make their voice heard. Fluid communication and an easily accessible complaint channel will allow the management team to get clear feedback on what is going on at the workplace and respond to it. Therefore, we implemented the Fair Wear grievance and complaint system in our factory and for subcontractors. We check with the CSR personnel in Vietnam and follow up on any complaints received. We post and train all employees about Fair Wear Code of Labor Practices as well as introduce them to the FWF complaint hotline. Workers in our factory and subcontractors are ensured to have access to this external communication channel.

In 2021, Evolution factory did not receive any complaints. If workers disagree or have questions regarding the calculation of their wages, they speak directly to HR staff to discuss and solve their issues.



Training & Capacity Building

Dawn sees workers' training on workers' rights and complaints mechanism as part of the must-have activities. Factory production workers receive regular trainings internally about Fair Wear and BSCI, as well as mandatory health and safety workshops. New employees receive a specific onboarding training session. Besides, as part of the transparency's backbone value of Dawn, all employees of its factory know how their wages are calculated.



Health & Safety Training

In 2021, all the employees from Evolution factory received social compliance and health and safety training. In October, a training on health and safety was conducted by the official authorities.

One full day in November was dedicated to the Fair Wear Code of Labor Practices and Grievance Mechanism as well as the BSCI Code of Conduct with training about working time, payroll, benefits and other HR policies and CBA information.

Mandatory first aid training and fire drill exercise were also conducted in the last quarter of the year.

Dawn ensures that the factory has an employee education program that includes training on grievance mechanisms and labor regulations. Plans are created at the end of each year for the following twelve months and incorporate a mix of internal and external training. It covers issues such as labor safety and hygiene, fire drills & fire fighting and basic first aid. Moreover, there is training for office staff and management on issues including the sustainable supply chain, social audits and topics related to Fair Wear CoLP and BSCI code of conduct.

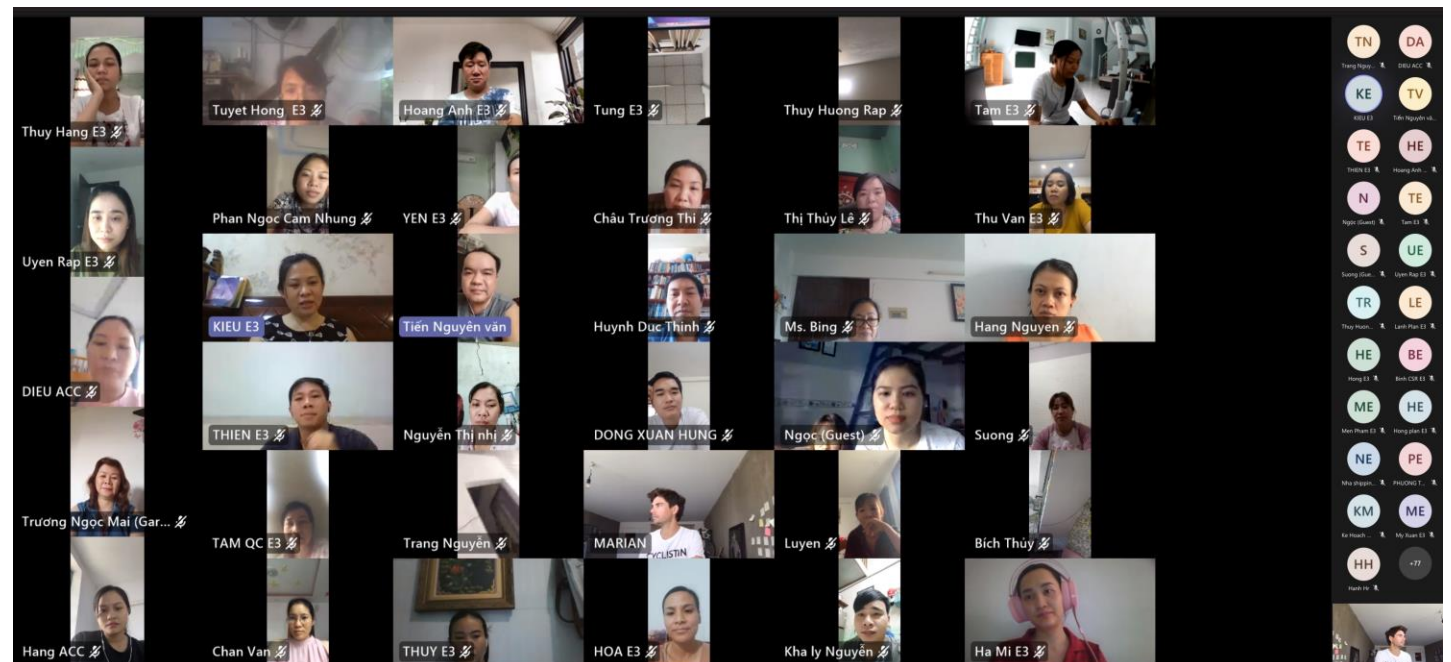


Vietnam team during the health and safety training.

Covid-19 Pandemic & Lockdown

The COVID-19 outbreak has had an enormous impact on all actors in the garment supply chains. Apart from the risk of the virus, the pandemic severely affected workers' incomes, jobs and lives, while factories, brands and retailers were struggling to remain in business.

During the 2021 lockdown, Dawn and Evolution established bi-weekly "team calls" between the collective management and workers with the goal to show unity and to provide mental support. We focused on being a stable and reliable anchor to counteract the widespread uncertainty and fear.



Wage Payments & Job Security

Since the beginning of the pandemic, many things have been uncertain. At first the situation was more severe in Asia; many orders were cancelled by other brands. Dawn office and Evolution shared the financial and psychological burden together. Our goal was to protect the low-income group as we knew there were barely any social safety nets provided by the government. There was no dismissal related to the pandemic at all.

In 2021, there were almost three months of full lockdown in Ho Chi Minh City, and no one was allowed to leave their homes apart from essential workers or sick people. At our factory, from July 12th until the end of September the office staff worked from home, and production workers had to stay home without work. Local authorities supported people to order and receive food supply and granted 1 million VND to the population.

Wages had to be reduced during that timeframe but were always above the legal minimum wage and paid on time. In July, the reduction of wages for production workers was around 1,5 million VND. Office workers accepted to earn less than usual to make sure production workers could receive a decent salary in August and September. In August, salaries were reduced for everyone, but Dawn and Evolution decided to pay a bonus from 2020 results. For that month, it meant that some production workers received a total amount of money higher than a normal working month. For office staff, it meant some received less than usual. In September, all employees received an identical salary slightly above the legal minimum wage. All employees also received tips, thanks to tip me, of around 45 USD. Through the factory, employees individually received 1,8 million VND as government support.

Tip me

In 2020, we joined tip me to show solidarity in a world threatened by the pandemic. While many brands focused entirely on themselves, canceled orders and did not pay invoice, we wanted to send a statement to our factory in Vietnam. Tip me's mission is to show appreciation for the people behind the making of the products, by giving customers the option to tip them when buying their jeans online. In this globalized supply chain, we want to enable a connection between the customers and the makers. Together with tip me, we ensure that 100% of tips go directly to the production staff. Everyone is free to decide how to make use of the tips.

In 2021, with the lockdown affecting everyone, Dawn decided that tips would not only be paid to workers in production lines, but also to all office workers at Evolution factory. A total amount of 7,500 EUR was split equally among all employees.



Factory Health & Safety

Since 2020 and continuing in 2021, our factory in Vietnam has taken multiple measures to prevent the spread of COVID-19. We provided hand-washing facilities with soap, and disinfectants at the entrance and throughout the factory. The factory upcycled our 100% cotton stock fabric and made face masks, which were distributed amongst the employees. The factory implemented all required safety measures from the government: increased social distance, reduced gatherings, and reduced number of people during meetings. Plastic sheet guards on the dining table were installed, as workers had to take their masks off during lunchtime.

At the end of the lockdown in September 2021, factory workers who volunteered to resume work had to sleep at the factory for 4 days, abiding by all government regulations. Meals and extra financial support were provided by the factory for these workers.

Some office workers had to quarantine inside the factory for 2 weeks after one person tested Covid positive. In October, factories were allowed to resume activities, with close monitoring and regular testing required by local authorities – and paid by the company.



Responsible Purchasing Practices & Production

In 2020, during the lockdown in the EU, many brands cancelled orders in order to reduce expenses. Dawn stuck to their ordered quantities even though some of Dawn's retailers did not keep their initially ordered styles. In 2021, Dawn went beyond the order commitment and helped the factory to fill in empty sewing lines. Evolution suffered and still is from huge order cancellations from other brands. Dawn tried to fill in the gaps with their NOS program. All orders from Dawn had to be shipped by air instead of sea to make up for lockdown related delays.

The factory still has to deal with a lot of logistics and stock issues, since most input comes from China and some brands cancelled their orders when materials were already bought. Besides, coming back to work after the lockdown also represented a challenge for production. Indeed, some workers suffered from Covid, some others had returned to their hometowns. In the beginning, the factory only started operating with about 50% of its capacity.



Transparency & Communication

We use our website, social media channels and newsletter to inform the public about our activities. In 2021, we let some coworkers both from the Vietnam factory and the Germany office take over our social media to share their stories, so consumers can get to know the people behind the seams. Throughout the years, we took part in various Fair Wear led events – Fair Friday, fashion revolution etc.

Dawn communicates about its sustainability journey, including its Fair Wear membership and Leader status through different German fashion online and offline media.

On our own website, we also share our progress on Fair Wear's Code of Labor Practices implementation by publishing our social report annually. In 2021, we created a dedicated blog post about our Brand Performance Check result with our 100/100 score.

As transparency is such a crucial aspect of our vision, we also work with Retraced, a blockchain backed technology service provider that enables us to register and display supply chain information based on each style. It allows consumers to track traceability of materials and production information by scanning a QR code directly on their purchased product label.

Dawn's supply chain information, including the Brand Performance Check, BSCI audits, etc. which are mapped through Retraced, are available on the website as well.

Get in touch with us!

Should your attention span not be exhausted and you would like to know more or want to visit us in Saigon, feel free to drop us an email at: hello@dawndenim.com

