



Clean Clothes Campaign Denmark

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Att. Helle Løgstø Severinsen

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Reg. No.: 20 09 60 98

Bredebro, 22 February 2017

Dear Helle Løgstø Severinsen,

Re. Change Your Shoes/Südwind report: No excuses for homework. Working conditions in the Indonesian leather and footwear sector.

Thank you for giving ECCO the opportunity to respond to the draft report 'No excuses for homework'.

After reviewing the statements related to ECCO in the draft report submitted, it is ECCO's view that readers of the final report may be left with room for misinterpretation, which must be ruled out.

Through the research behind the report, it should be clearly identifiable for the reader that ECCO is running a very respectable business at the ECCO shoe factory 'PT ECCO Indonesia' in Sidoarjo. PT ECCO Indonesia operates with an employee turnover significantly below the industrial standard at around 8% - employing more than 7,500 employees. Furthermore, in 2016, PT ECCO Indonesia had 253 employees who celebrated 10 years' anniversary and 521 who celebrated 20 years' anniversary with the company.

The draft report submitted does contain a number of incorrect facts and statements, which should be corrected. Specific comments to the report to be added and/or amended are the following:

1. ECCO should not be stated in the Introduction chapter on page 4. Otherwise, all the quotes listed could be linked to ECCO, which is not correct and misleading.
2. ECCO Sko A/S is a Danish company and not a German AG. Incorrectly stated.

3. It should be stated: "ECCO has emphasised ECCO does NOT make use of homeworkers and does not accept homeworkers to be used by sub-suppliers".
4. It should be stated: "ECCO has informed that the co-operation agreement with the company PT Prima Dinamika Sentosa has been terminated. It has been phased out since 2016, and the cooperation ends end March 2017".
5. On page 23 in the report (point 4.2.2.), PT ECCO Indonesia and PT Prima Dinamika Sentosa should not be mentioned in the same sequence. ECCO has no ownership in this company. The report should include "PT Prima Dinamika Sentosa being a minor supplier to ECCO operating with approx. 50 employees producing components to ECCO, from its 2,000 employees". And again, the co-operation agreement ends late March. Should be apparent and explicitly stated in the report.
6. Whereever PT Prima Dinamika Sentosa is referred to, it should equally be referred to which companies are produced for. Given the size of PT Prima Dinamika Sentosa's workforce, ECCO would estimated be less than 3% of the turnover (?).
7. Draft report, page 23: The report leaves room for misinterpretation and ECCO requests the paragraph to either be re-stated or removed. The report can include a statement from ECCO being: "ECCO was surprised by the conclusions and findings unaware of changes at the factory since the last audit ECCO conducted in 2015. Whether the relative change is limited to ECCO's decision to phase out the cooperation, ending by end March 2017, is not known by ECCO, i.e. PT Prima Dinamika Sentosa allowing workers with temporary contracts to handle materials made for ECCO".
8. In paragraph 4.4.1 Overtime, the reports states: "PT ECCO Indonesia demands one hour of overtime every day". This is incorrect. What the report should state is the fact being: "The one hour overtime is part of the bargained employment contract between the employees and PT ECCO Indonesia, and it is paid as overtime according to regulation". It can be added as a statement from ECCO: "which is to the benefit and satisfaction of both the employees and ECCO".
9. The statement in the report point 4.4.4. Working hours, is not correct and must be amended.
10. On page 30 under Brands' Responsibility for the Suppliers, it is noticeable that PT Prima Dinamika Sentosa is only linked to ECCO. In case it is stated, all brands should be listed. Furthermore, it should be stated that from its approx. 2,000 employees approx. 50 employees have been producing components to ECCO on a supplier basis. Thirdly, again it should be stated that the cooperation between PT Prima Dinamika Sentosa and ECCO ends by end March 2017.

11. ECCO insists on the following to be added as a statement from ECCO in the section of page 30 under Brands' Responsibility for the Suppliers: "ECCO's Code of Conduct is an integral part of ECCO's entire value chain. Contractually, ECCO requires from its suppliers and business partners that they comply with our Code of Conduct. Non-compliance is considered a material breach and may be cause for termination of the contract. ECCO's suppliers are required to ensure similar compliance from their sub-suppliers. ECCO carries out regular Code of Conduct audits to ensure compliance. ECCO has not found serious violations of our Code of Conduct at PT Prima Dinamika Sentosa, but despite this, ECCO has gradually phased out orders from this factory over the last year and expect to end the cooperation with the factory during March 2017."
12. The "Ms. Lena case/statement" referred to cannot be correct. The draft report states a number of inconsistencies related to this story. E.g. "Ms. Lena" making shoes for ECCO since 1993 at PT Prima Dinamika Sentosa. The report refers to "Ms. Lena's" employment at a unit which supplied to ECCO from 1993 to 2001 and again from 2005, when the report on the preceding page (page 23) states: "PT Prima Dinamika Sentosa has been supplying PT ECCO Indonesia since 2009". Fact is ECCO first started cooperating with Prima Dinamika Sentosa in 2008.

The case should therefore be excluded from the report.

Further observations and questions to the draft report

The following observations and questions remain unclear following the review of the report, to which ECCO would appreciate a feedback. The report refers to 30 interviews in this rather large factory of PT Prima Dinamika Sentosa with some 2,000 employees and surprisingly, the report includes 24 of those interviewed work within the unit supplying components to ECCO. How has this selection been carried out and what is the background behind this?

We thank you for your contact and for the opportunity for ECCO to comment on the draft report. With the above comments, we believe to have responded in detail to the ambiguities and incorrect statements and expect our comments to be included in the final report. Thank you.

Yours sincerely
ECCO Holding A/S



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**Clean
Clothes
Campaign**
Danmark

27.02.17

Dear Mr. Søren Dalsgaard Stier

Thank you for taking the time to read and comment on the Change Your Shoes report „No excuses for Homework“.

After receiving your comments, the report has been revised and factual mistakes have been corrected. However, many points could not be taken up directly in the report. Instead, we will publish Ecco’s criticism together with the report and our reply to the criticism.

Please see in the following our responses to the several points of criticism raised by Ecco.

1. In the introduction chapter it is clearly distinguished between the different companies. However, in order to be very clear that not all of the statements refer to all mentioned companies, we added a line break:

„Workers in factories manufacturing footwear for European brands made these statements. The statements form part of a survey conducted in 2016 that provides information for this study.

Workers at subsidiaries and suppliers to brands such as Ara, Deichmann, and Ecco speak about wages well below what is considered to be a living wage and excessive, partially involuntary, overtime.“

2. Ecco Shoes AG has been changed to Ecco Sko A/S.

3. Only Ara is mentioned in the context of home based work. Nowhere in the report we state that Ecco is making use of homework. The title „No excuse for homework“ means that there is no excuse for companies to not do their homework which relates to supply chain responsibility of companies and due diligence. According to the UN

Guiding Principles on Business and Human Rights, companies must be aware of their corporate practices that adversely impact human rights and cease them.

4. When has this decision been made and why? Ecco has a responsibility for all workers producing Ecco shoes along the entire supply chain. In this sense, we urge Ecco to make sure that the workers who have been producing shoes for Ecco (and some of them for many years) at PT Prima Dinamika Sentosa are not left without a job and are not exposed to labour and human rights violations. Moreover, we would welcome it, if Ecco could rethink its decision to end the co-operation with the supplier. Now that Ecco is aware of labour and human rights violations in this factory, Ecco has the responsibility to work towards improving the working conditions rather than ending their business relation.

5. The reason why PT Ecco Indonesia and PT Prima Dinamika Sentosa are mentioned in the same sequence is that, according to our research, there has been a close business relation between these two factories for several years. However, to avoid any misinterpretation, a footnote saying „Ecco states that PT Prima Dinamika Sentosa is only a minor supplier to Ecco operating with approx. 50 employees from its 2,000 employees producing components to Ecco“ has been added.

6. It is clearly stated in the report that PT Prima Dinamika Sentosa is also producing for other companies. What is Ecco's estimation of less than 3 % of the turnover based on?

Does that relate to latest turnover figures or is this an estimation of turnover figures over the past years? Whatever the case, it is important to understand that Ecco has a responsibility for working conditions in its supply factories no matter Ecco's share of the turnover.

7. What were the exact findings of the last audit in 2015? Who conducted the audit? What exactly has been audited? Why was there no audit carried out in 2016?

It is not surprising that commercial social audits lead to different results than our research. It has to do with the problem of quality of social audits and – more importantly - with structural shortcomings of this tool. We would like to remind you that audited factories burned down short after audits in Bangladesh and Pakistan. For more than 10 years, it has been very clear in the international discourse on Corporate Accountability that commercial social audits is not a tool which leads to progress in working conditions.

8. It is clearly stated in the report that the one hour overtime is part of a bargained employment contract. It is stated under 4.4.4: „After rounds of collective bargaining at PT Ecco Indonesia, an agreement was reached that workers must work one hour of overtime every day.“ However, in order to avoid any misinterpretation, a reference to chapter 4.4.4 has been included in chapter 4.4.1.

9. The results of the interviews clearly differ from Ecco's statement. Therefore, the following sentence has been included: „According to interviewees, no overtime bonus is provided. According to Ecco, overtime rate is being paid according to regulation.“

10. Firstly, it is stated in the report that PT Prima Dinamika Sentosa is also producing for other brands. Secondly, it is stated in the report that the factory is only a minor supplier to Ecco. Thirdly, again, Ecco is responsible for all workers along its entire supply chain, especially after being informed about labour and human rights violations in one of its suppliers. Ending the business relation is not a good way forward if Ecco wants to take responsibility and effectively improve working conditions for its workers.

11. As stated in the beginning of this document, we will be happy to publish Ecco's criticism together with the report.

12. Ecco started co-operation with PT Prima Dinamika Sentosa in 2008/2009. Therefore the two sentences have been adapted: „Although eleven years had passed, the factory gave her the exact same tasks she used to do in the unit.“
„Since 1993, she worked eight years in total for the factory making shoes.“
However, at the time of research the worker has been producing shoes for Ecco. This is a very important testimony of a worker at Prima Dinamika Sentosa and stays of course in the report.

Relating to your question that the report refers to 30 interviews in this factory with some 2000 employees, we would like to stress that this is not at all an unusual low percentage for these kinds of surveys. Why 24 out of 30 are working in the unit that is supplying components for Ecco would need some further investigation on our part and we will be happy to update Ecco on our findings.

We would like to stress that it should certainly concern us as consumers and shoe marketers very much, when workers - not even complaining or accusing anybody, often not aware, that their rights were violated - report about serious problems and inhuman conditions. These are extremely precious and valuable reports, and workers gave them in an atmosphere of trust and appreciation. The best what buyers can do is respect and appreciate what they learned about workers from our study. We call upon you to respect these reports and act on rights and law violations.

Best regards,



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