



# SOCIAL REPORT 2018








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- 1981** Oberalp Group Spa is founded



- 1990** Oberalp acquires SALEWA; a multi-specialist for mountain & alpine sports


- 2003** Oberalp acquires Dynafit; the most important global brand for ski touring gear and equipment


- 2011** Oberalp acquires Pomoca; The global leader in ski skin manufacturing


- 2012** Oberalp acquires Wild Country; an insider brand for climbing apparel & equipment


- 2013** Salewa, Dynafit & Wild Country become Fair Wear Foundation members


- 2016** Salewa, Dynafit & Wild Country become Fair Wear Foundation LEADERS

## Headquartered in the heart of the Dolomites

in Bolzano, Italy, the **Oberalp Group** is a leading provider of outdoor, technical apparel and equipment for mountain sport enthusiasts.

Today, it owns four brands, **SALEWA, Dynafit, Pomoca** and **Wild Country**, and also acts as EU distribution for other internationally recognised sports brands.



2018 was another exciting and challenging year.

Having been recognized for our prior work with the FWF Leadership status in 2016 was a prideful achievement, and one that at the same time signified an increased level of responsibility – one to not only maintain this prominent status, but to also continue our duty to progressive improvement in the factories. Our priorities for this year were: to advance and deepen our level of audit Corrective Action Plans (CAP) follow up, with the development of a more systematic approach; strengthening our due diligence processes with a particular focus on the highest risk countries; and to continue our analysis of the root causes of excessive overtime and infringements on the payment of a living wage.

These efforts paid off, and helped us accomplish some of our greatest achievements for the year, with valuable 'side effects': our goal of establishing a more systematic approach to CAP follow up was further complemented with an enhanced collaborative approach to auditing and remediation, with 91% of our audited volume coming from audits shared with other brands. Second, our efforts to strengthen our due diligence processes were facilitated by the further consolidation of our supply chain (by 16%), and dialogue on difficult issues like overtime and wages, was made easier by the maintenance of longer term relationships with our suppliers (those 5 years or more), which made up almost 75% of our FOB volume. Initially taboo and the exclusive sphere of influence of the supplier and his factory management, we have now been able to have open dialogue with the supplier on these matters, to make sure that they are repeatedly and systematically taken into account upon planning and pricing. Internally, these efforts were only possible and further reinforced with the joint and cooperative work among our sourcing, QC, and Sustainability teams.

Challenging aspects of our work from this year continued to be the attempt of suppliers to allocate our production orders to unknown or not-yet approved factories right before order placement and the recurring use of double records, and/ or non-transparent recording keeping of hours and wages. We checked our suppliers constantly and were quick in organizing audits from our QC teams to check the potential factories, so that, if reallocation was absolutely necessary, it took place in approved facilities. As for the lack of transparency in factory records, this greatly complicated our ability to establish the root causes of excessive overtime and payment of wages below living standards, and in some cases made it virtually impossible. It is our hope that the continued maintenance of long term relationships with our suppliers, along with efforts to participate in open dialogue built on mutual trust will help us ameliorate these issues.

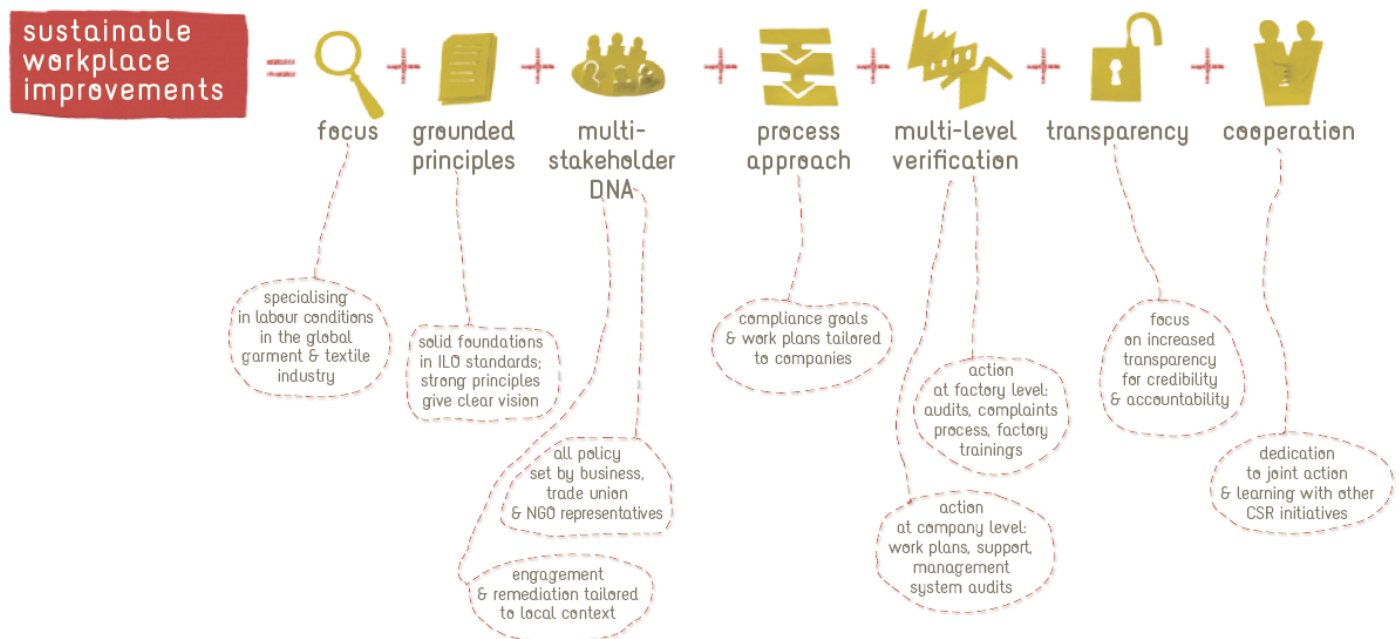
The **FWF Leader** status is a prideful achievement that signifies an increased responsibility to continue **our duty to progressive improvement in our factories.**



Our most important partner in the improvement of workers' wellbeing in the factories is Fair Wear Foundation (FWF). Dedicated to transparency and improving working conditions in our supply chain, Salewa, Dynafit, and Wild Country have been members of FWF since 2013. Within the framework of the FWF system and the collaborative approach and the constant evaluation it entails, we have been able to make good progress. An important recognition of this came in 2016, when FWF granted us the Leader status as a result of our concerted effort to support and integrate social compliance into our operations via ongoing due diligence, informed sourcing and purchasing practices, monitoring and remediation activities, internal and external training and capacity building, information management, and efforts towards greater transparency.

Fair Wear Foundation (FWF) is a non-profit organization that collaborates with brands, factories, trade unions, NGOs, and sometimes governments to improve working conditions in supply chains where sewn goods are made. The scope of FWF focuses on the cut and sew processes related to the production of textile goods, as they believe this is where the greatest positive impact can be made. At present, the FWF concentrates its efforts in 11 apparel producing countries in Asia, Europe, and Africa – Bangladesh, Bulgaria, China, India, Indonesia, Macedonia, Myanmar, Romania, Tunisia, Turkey, and Vietnam.

## The Fair Wear formula



Source: Fair Wear Foundation



Cooperation in the framework of our FWF membership entails the monitoring of all factories making our products in the implementation of the Code of Labour Practices:



**1** employment  
is freely chosen



**2** freedom of association  
and the right to  
collective bargaining



**3** no discrimination  
in employment



**4** no exploitation  
of child labour

## ELEMENTS OF FWF'S CODE OF LABOUR PRACTICES



**5** payment  
of a living wage



**6** reasonable  
hours  
of work



**7** safe and  
healthy working  
conditions



**8** a legally binding  
employment  
relationship

Source: Fair Wear Foundation





## Sourcing

We do not own any factories and therefore, our products are manufactured at external facilities. Our broad product range for all brands is broken down into 2 key divisions: apparel, and a unit which concentrates footwear, equipment, and technical hardware, are all based in Italy and shared between offices located in the Dolomites and in Montebelluna. A small part of Dynafit Ski-touring bindings and equipment are managed from our German offices. The focus of this report, and of our Social Compliance efforts in the framework of our partnership with Fair Wear Foundation, pertain to the factories where cut and sewn goods are produced.

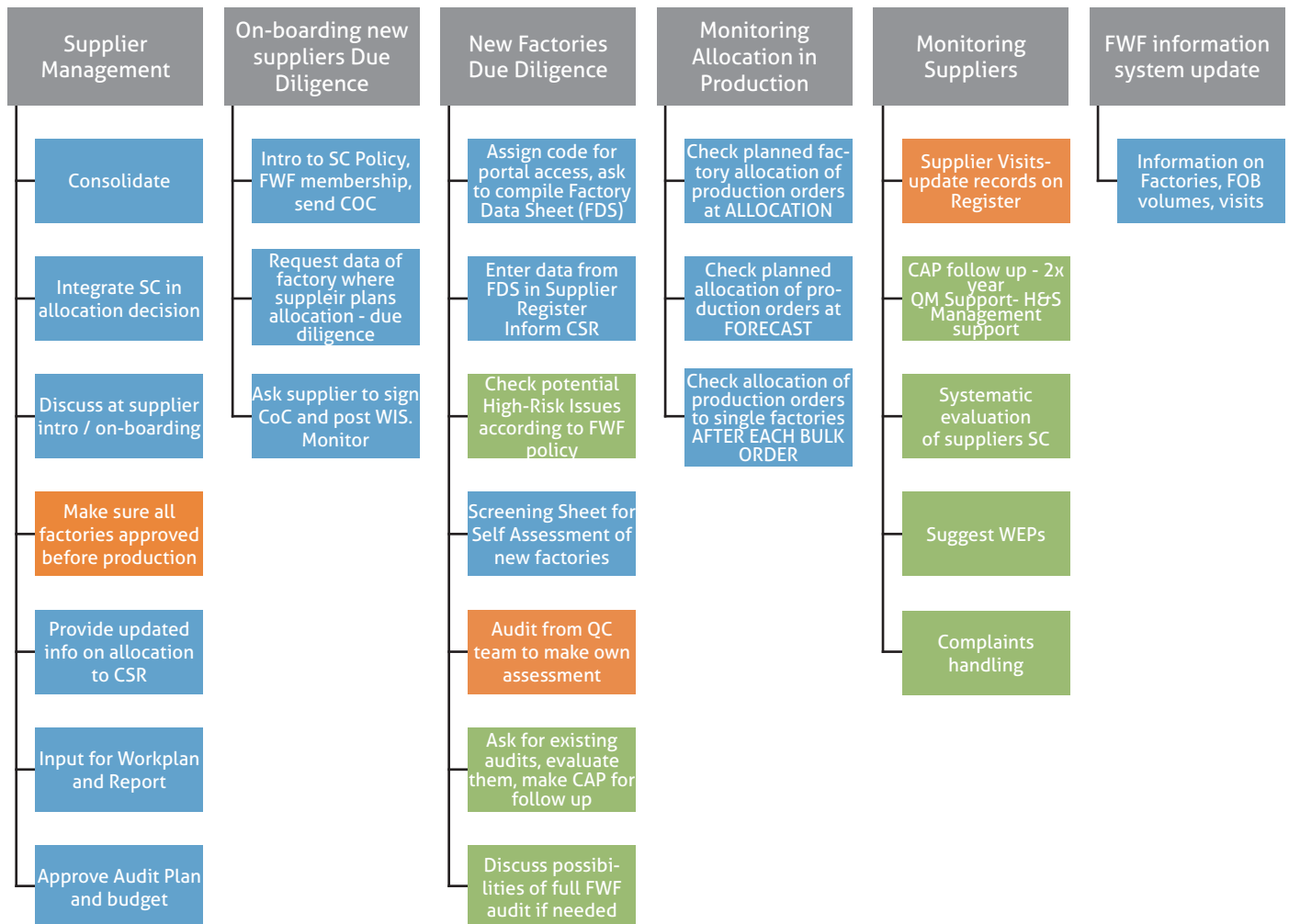
Planning, sourcing, and purchasing activities are conducted independently by the different divisions. Each division has its own internal structure, sourcing strategies and partners; *however, common to all is the integration of due diligence and social compliance responsibilities throughout each of the respective teams, and with all suppliers, whether they be the factories directly, or agents who act as intermediaries between us and the factories.* In cooperation with the Sustainability team, sourcing and costing managers are regularly briefed about local living costs, potential hazards and risks, and actual working conditions so they are empowered to make informed decisions.

### Our 2 Key Divisions

**APPAREL** (menswear, women's wear, accessories, denim, knitwear)

**FOOTWEAR, EQUIPMENT** (shoes and boots, tents, backpacks and bags, sleeping bags) and **TECHNICAL HARDWARE** (cords, ropes, slings)

## Integrated Monitoring Activities & Sourcing Decisions



**Sourcing**  
**Planning**  
**Purchasing**  
**Quality Management**  
**Sustainability**

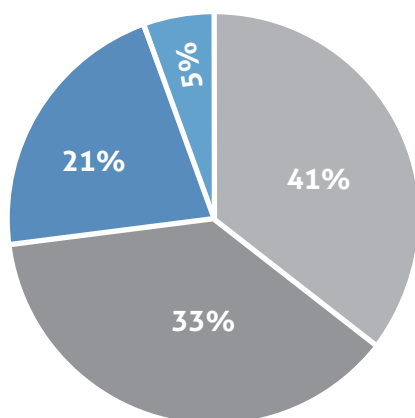


## Supplier Relations

**Long & stable Supplier Relationships** - One of our primary objectives in regards to supply chain management, is to establish long-lasting relationships with our suppliers, with the aim for the maximum mutual benefits. This year, almost 75% of our total FOB volume came from factories we've been working with for more than 5 years. In order to grow successfully as a company, it is important that we cooperate with partners who also continually strive to grow and improve.

Those that, like ourselves, aim to better their social and environmental standards in their own operations and beyond. We see it as our role to encourage and facilitate dialogue that seeks to align our own values and goals with those of our suppliers, internally and in their business relationships with their partners. This on-going process is central to our social compliance efforts, and demands our constant monitoring and evaluation.

In 2018, almost  $\frac{3}{4}$  of our total FOB volume came from factories where we hold **long-term relationships**



	2015	2016	2017	2018
More than 10 years	17%	14%	31%	41%
5 to 10 years	43%	50%	42%	33%
2 to 4 years	30%	30%	22%	21%
1 year or started in 2017	9%	6%	5%	5%

**Starting relationships with new suppliers** - There are occasions when it becomes necessary to start a business relationship with a new supplier. This decision generally occurs for a number of different reasons, or a combination of several factors. In some cases, it is motivated by our own quality or technical requirements, or in others, we have to replace a supplier who did not meet our standards. Existing suppliers are evaluated at least twice a year on all aspects of their performance including: results obtained in audits and monitoring, cooperation to observe corrective action plan remediation, the implemen-

tation of our CoC, quality performance, and timeliness of deliveries. Unfortunately, when actual working conditions do not meet basic health and safety standards, and/ or the supplier is unwilling or unable to demonstrate genuine change, it becomes imperative that we look for an alternative. The final decision to work with a new supplier is the result of an in-depth discussion between the division managers, the sourcing staff, costing and production managers, the quality department, production managers and developers, and the Sustainability team.

There are also instances where the decision to begin cooperation with a new supplier is not of our initiative, and this may happen for three reasons: our partners may shift their production by opening new factories, close down their facilities or end the business relationship with us. In 2018, of 12 new facilities only 3 factories (and 0,2% of our FOB) corresponded to our

search for a new technical partner; most of them (6) were cases where our suppliers shifted production elsewhere; 3 new factories in Bangladesh were chosen by one supplier who we began to cooperate after our previous partner chose to end our relationship. The total volume in these new factories made up 3,6% of our production value.

## All factories we on-boarded in 2018 fulfilled our due diligence requirements

When on-boarding any new supplier they must first complete the following **due diligence requirements**:

- Sign our code of conduct and commit to its implementation;
- Complete a self-assessment on CoC compliance, provide full supplier and factory data, with an overview of their structure and other factories they work with – whether owned or subcontracted.
- Provide past audits done by third party organizations;
- Pass a QC inspection from our staff before production starts;
- Post FWF's Worker Information Sheet (WIS) see point 1: a document containing the main 8 Labour Standards in local language for employees to view, and an address where workers can directly contact FWF to raise complaints which they deem they cannot solve in the factory;
- In Bangladesh: show serious commitment to guaranteeing workers safety in the factory by agreeing to our 'Bangladesh sourcing policy': provide proof of membership to the Accord on Fire and Building Safety, and the latest version of the Accord's audits and CAP status.

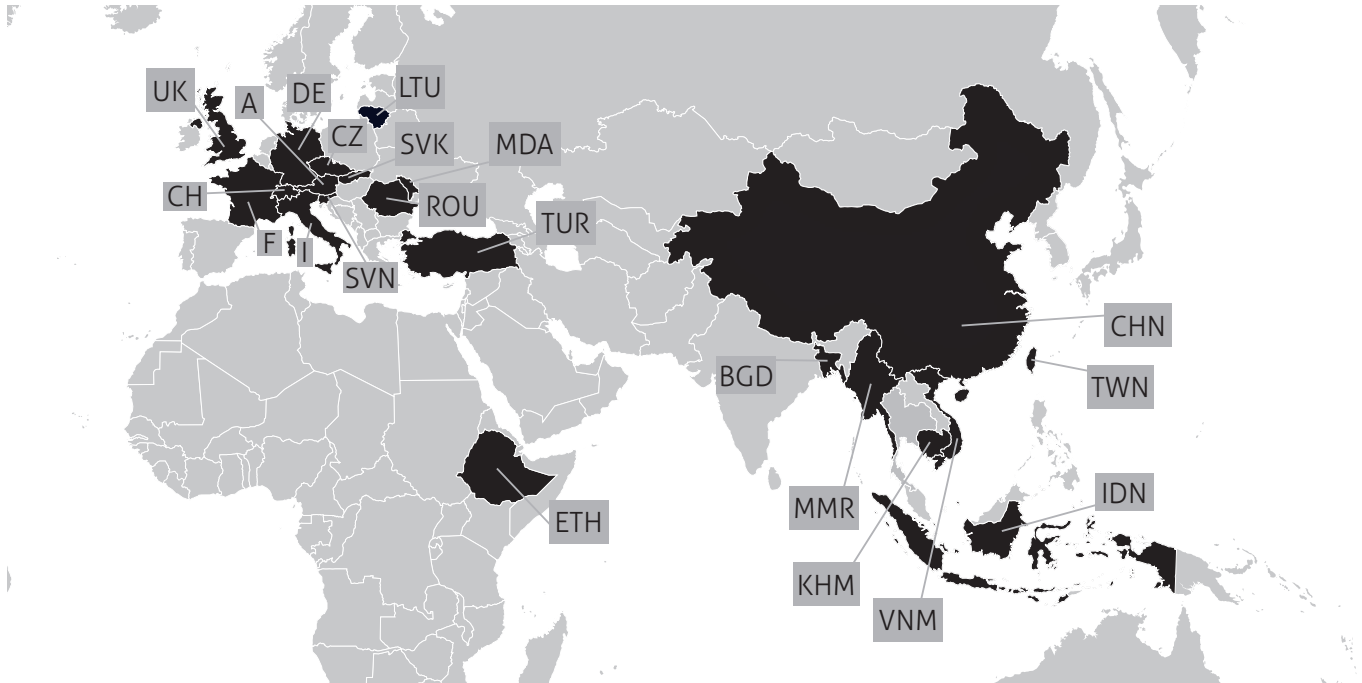
**Ending collaboration with suppliers** - Between 2017 and 2018, we ceased sourcing at 19 factories. The majority (11) were cases where it was the supplier's decision to allocate our production orders elsewhere or to terminate the business relationship. In the case of the 8 factories we stopped sourcing at, the motive was our wish to consolidate the allocation of our products. As always, phase-out was in agreement with the supplier, advising our decision enough time in advance and making sure that our decision to move elsewhere did not have a notable negative impact on the workers.

**Consolidation** - Our supply chain consolidation remains central to our sourcing strategy. Having less suppliers enables us to achieve two key goals: improve the quality of our communication and follow-up in the factories, and an increase in our influence, leading to a greater chance of successfully making changes for good in the workplace.

Between 2017 and 2018 **we consolidated the number of factories by 16%, from 87 to 73.**



## Production Countries



In 2018, our production took place in **19 countries** across the globe.

*We maintain production partnerships around the world. FWF rates countries as being “high and low-risk” according an estimation of the occurrence or likelihood of workplace in regard to Social Compliance.*

**High risk:** Albania, Bangladesh, Cambodia, China, Moldova, Myanmar, Romania, Taiwan, Turkey, Vietnam

55 (75%) of our factories are located in these countries

83% of our production volume (FOB) comes from high-risk countries

**Low risk:** Austria, Czech Republic, Germany, Italy, Lithuania, Portugal, Slovakia, Slovenia, Switzerland

18 (25%) of our factories are located in low-risk countries

17% of our production volume (FOB) comes from these countries

Our monitoring efforts in the factories where our products are made differ according to the countries where they are located. Fair Wear Foundation performs research and has constant exchange with its local stakeholders to assess each context, according to economic and cultural factors, the legal framework and the available mechanisms in place to protect workers' rights in case of irregularities. The result of this assessment is the classification of sourcing countries as "low or high-risk", and the consequential guidelines for members on: the level of surveillance required, the issues to tackle with priority and, special measures of assurances needed to perform a due diligence.

In 2018 our products were made in the following countries:

## Low Risk:

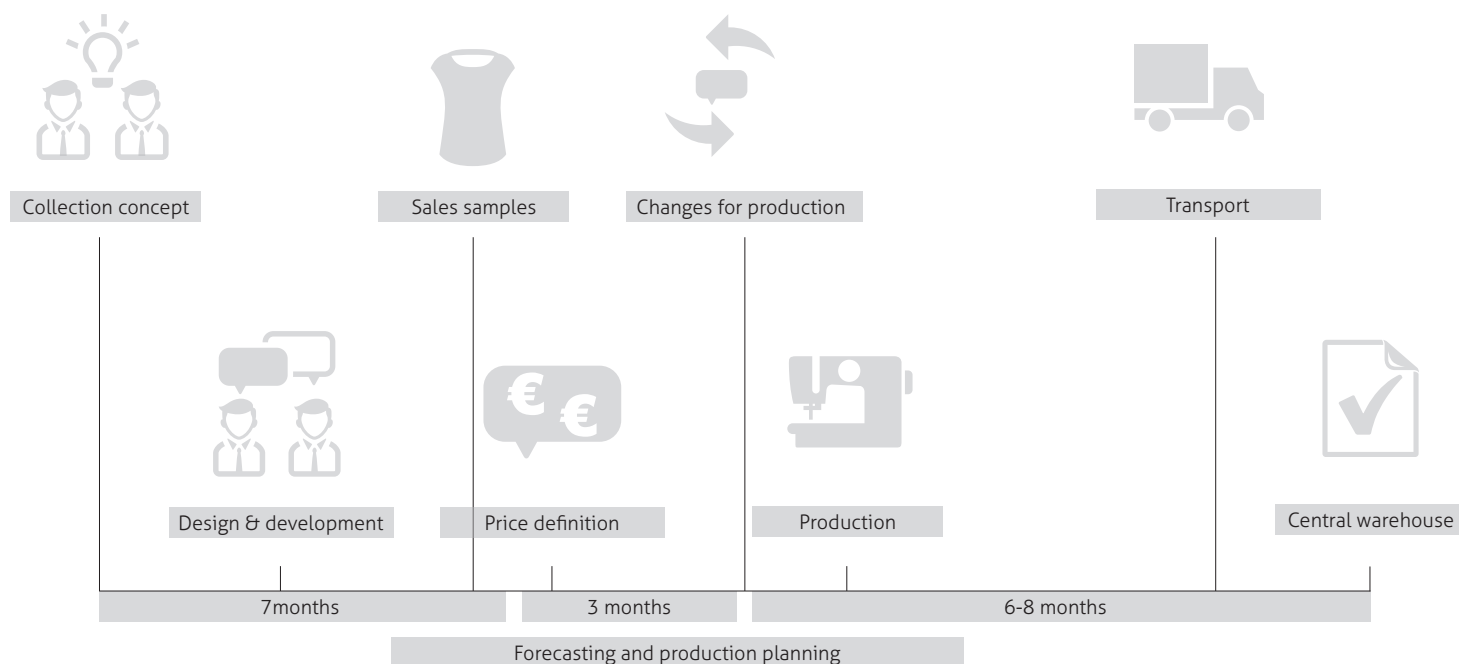
Factory country	Percentage of our total FOB	Number of factories
Austria	0.05%	1
Czech Republic	0.71%	2
Germany	0.02%	1
Italy	12.07%	8
Lithuania	2.04%	2
Portugal	0.16%	1
Slovakia	0.07%	1
Slovenia	0.38%	1
Switzerland	1.46%	1
<b>TOTAL</b>	<b>17%</b>	<b>18</b>

## High Risk:

Factory country	Percentage of our total FOB	Number of factories
Albania	0.04%	1
Bangladesh	8.94%	5
Cambodia	1.55%	1
China	21.14%	32
Moldova	0.32%	2
Myanmar	0.41%	1
Romania	18.70%	1
Taiwan	0.04%	1
Turkey	1.10%	2
Vietnam	30.82%	9
<b>TOTAL</b>	<b>83%</b>	<b>55</b>

## Production Cycle

Our production planning is informed by the **production capacity** of the factory, and is also based **according to style**. This allows for **substantial and flexible lead times** to avoid undue pressure to fulfill delivery dates. Furthermore, if / when the occasion arises we **accept delays** and **share the responsibility** if need be.



In agreement with our partners, we define a reasonable timeline including room for delayed fabric and accessory deliveries and considering important events and local holidays.

Holiday	Dates (2018)
ISPO fair	28-31 January
Chinese New Year (China, Vietnam)	15-21 February China; 14-20 February Vietnam
Easter	1 April
Burmese New Year	18 April – 21 April
Golden Week (Japan)	29 April – 5 May
Dragon Boat Festival	18 June
Outdoor Friesrichshafen	17 – 20 June
Ramadan (Bangladesh)	12 – 17 June
Ramadan (Turkey)	15 - 18 June
Eidul Fitr (Bangladesh)	25 – 27 June
Eidul Adha (Bangladesh)	21 - 23 August
Eidul Adha (Turkey)	22 – 30 August



## Code of Conduct

Building on the most relevant International Human Rights Treaties, particularly the Core Conventions of the International Labour Organisation (ILO), and in line with FWF own Code of Labour Practices, our own Code of Conduct sets forth the guiding principles and backbone of our company and all of our business relationships. At its core are sustainability and compliance, as well as ethical behavior towards all workers at all stages of our business and supply chain. Moreover, it is an information tool for making all employees and suppliers aware of their rights and duties.

### Our Code of Conduct

- Child labor is not tolerated
- All employees must be treated with respect and dignity
- Employment must be based on ability and no discrimination is tolerated
- Employment must be freely chosen
- Payment of a living wage must be guaranteed
- Hours of work shall not be excessive and over-time duly paid
- Working conditions are decent and safe
- Freedom of association must be guaranteed
- The employment relationship is formally established by means of a written contract

Additionally, our suppliers should implement an effective program and a system to tackle environmental issues in the factory, taking a precautionary approach. They must also guarantee that their business practices are free from corruption, direct or indirect, including planned, attempted, requested or successful transfer of a benefit as a result of bribery or extortion.

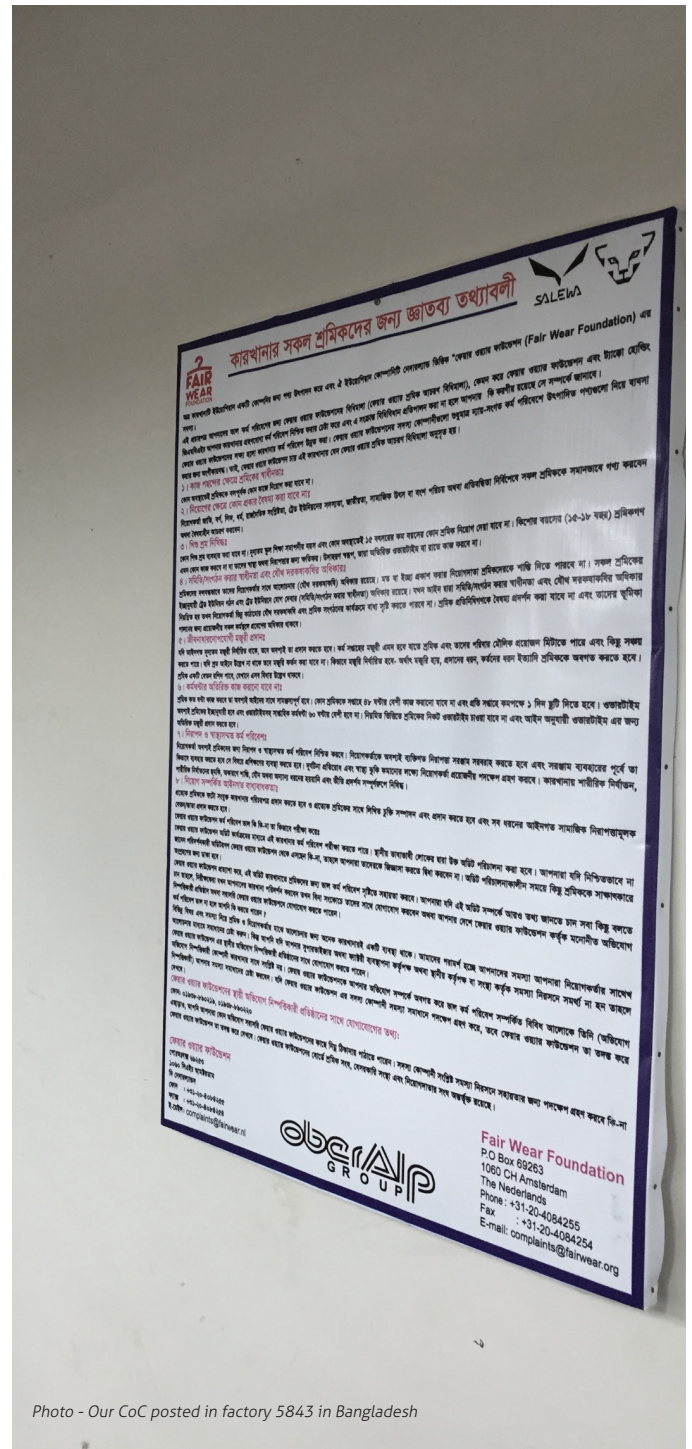


Photo - Our CoC posted in factory 5843 in Bangladesh

## Ensuring that our Code of Conduct is implemented

Social compliance and participation within the framework of our partnership with FWF is one of the key focus areas for our Sustainability team. We maintain a dedicated staff to manage these activities and respond to complaints immediately when they arise. Likewise, members of our quality control team, who visit our factories often throughout the year, act as our 'eyes on the ground' and are tasked with observing working conditions and informing the Sustainability staff when our CoC and FWF's Code of Labour Practices are not being adhered to.

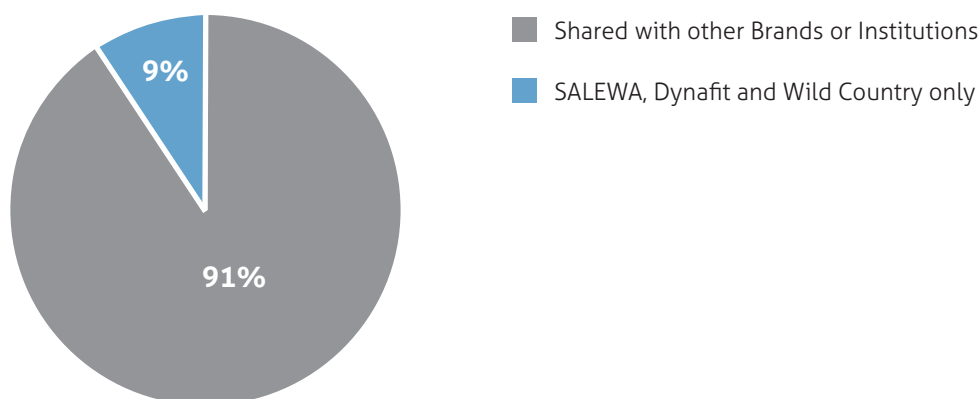
We monitor the implementation of our Code of Conduct (CoC) and Fair Wear Foundation's Code of Labour Practices in all of our factories in four primary ways:

**We stay informed** - we collect, store, and maintain detailed information about each of our production sites, and factory subcontractors.

**We cooperate with other brands** - operating with other brands in shared factories is a key part of our strategy to improve working conditions in our supply chain. Some of our partners are located in far-away places or are much larger than our Company, and therefore our chances of driving

change in the factories are small. Yet when we join forces with other brands sourcing in them, the positive effect is threefold: first, we **avoid audit duplication**, which in turn increases efficiency in three ways: by reducing costs, following up on one single corrective action plan and slimming the organization and 'paperwork' by having one single person on behalf of the sharing brands to lead the communication and progress with the factory. Second, as a single brand we often do not have much influence in a factory; but when we collaborate with others we are likely to amount to a more significant part of the production, which ultimately **enhances our bargaining power and the probabilities for positive outcomes**. A supplier will be more prone to making changes and investments to solve problems in the factories if it is an issue for more brands. And third, **sharing best practices**. Working with other brands allows us to see how others solve problems which come up in most factories, and thus create common methods and procedures.

In 2018, **91%** of our audited volume was covered with shared audits.



**We maintain a dedicated framework for compliance in High Risk Countries** - we require serious commitment from our partners in countries where specific and considerable challenges exist regarding the implementation of ethical labour standards. Factories in these countries must :

- Sign our CoC
- Post FWF's Worker Information Sheet (WIS) in the local language, which includes the CoLP with the 8 labour standards and complaint hotline contact information
- Be open to regular social audits, either by FWF or an external auditing body as requested by us
- Continue in a post-audit dialogue with the brand via Corrective Action Plan (i.e. CAP, with steps for remediation and timeline for action).
- Factory staff and employees must periodically participate in training sessions organized by FWF Worker Education Programs (WEPs) or trainings (valid for 3 years)

**The decision to audit a factory is based on the following criteria:**

Expired previous audit (audits are valid for 3 years)

Facilities that produce 2% or more of our FOB, with no valid (recent, full-covering all relevant issues, third-party) audit

Facilities where we make up 10% or more of the production capacity, with no valid audit

Facilities in Myanmar or Bangladesh, with no valid audit

Facilities with recent complaints from workers or special challenges

Beyond auditing and corrective action plans, **worker trainings** aim to provide factory managers and workers with the tools they need to start an open dialogue about issues and opportunities in the workplace and about how to improve working conditions in the factory.

**- We conducted 3 worker trainings in 2018 (see section 6.2)**

**- Since 2015 we have conducted 15 worker trainings in factories in Bangladesh, China, Ethiopia, Myanmar, Romania, and Vietnam**



## A summary of our monitoring in factories in High Risk Countries

Country*	Number of Factories in the country	Number of facilities audited 2016-2018 and follow up through corrective action plan	Percentage of our volume in the country covered with audits
Vietnam	9	9	100%
China	32	18	90%**
Romania	1	1	100%
Bangladesh	5	5	100%
Cambodia	1	1	100%
Myanmar	1	1	100%
Turkey	2	2	100%
Taiwan	1	1	100%
Albania	1	0	0%
Moldova	2	1	7%

A complete list of all our factories with the relative monitoring and remediation activities can be found in the annex at the end of this Report.

\*Production countries are in descending order according to their share of our production volume (see the “production countries” section above).

\*\*The data refers to third-party audits only. As explained in the country-specific section below, we covered a further 1.1% of our FOB volume with audits carried out by our Quality Management team in another 7 factories, totaling 25 factories and 91% of our volume in the country.

Albania and Moldova, although located in Europe, are not deemed “low-risk” by Fair Wear Foundation. Both factories which were not audited in 2018 by us, were audited by third parties who unfortunately did not share the findings of their audits. We have visited both facilities as part of our due diligence, and made our own assessments of them.



Photo - Factory 3919 in Vietnam

**We source in Low Risk Countries where possible** - in countries with stable pre-existing local laws and social security in place that ensure a good basis for fair and ethical working conditions, our level of surveillance is lower. However, we still require that factories operating in these countries sign our CoC and post FWF's WIS in the local language to inform workers of their rights. We also visit the factories regularly and make informal audits to ensure compliance with our CoC and FWF's Code of Labour Practices.

In 2018, between **low risk and audited** factories we covered **97%** of our **FOB value**.





## Ongoing challenges

Over the last five years of our work with FWF we have seen considerable momentum, and while there have been notable improvements on all fronts, some pervasive issues still remain. We believe the real strength of our work lies in the progress made on increasing transparency in the dialogue with our factories, crucial for identifying issues and making the necessary improvements, yet this is an on-going and gradual process.

Another significant challenge continues to be a fragmented supply chain, where, for some lines, we produce in many locations and with relatively small volumes of production in regard to the factory's entire production capacity. This translates into having little negotiating power, it impacts our ability to effect positive change, and makes monitoring and remediation efforts increasingly complex. For this reason, we are continuing to put great emphasis into further consolidating our supply chain, which will remain in progress over the next few upcoming seasons.

As for the most pressing and persistent issues in our monitoring efforts, namely excessive overtime and achieving a living wage, even though we have invested much time and effort, effecting real change remains a challenge. While audits show that the prices we pay are certain to contribute to wages well above the legal minimum wage, efforts to reach a living wage remain on-going. The means of assessing a living wage is complicated and requires a comprehensive overview of the costs of living relative to each of our factory locations. Reliable data is difficult to obtain, among other factors because, understandably, workers have different needs and expenses according to their usual living standards and expectations. Additionally, development and economic conditions evolve and consequently data changes, making our analysis all the more difficult. Regarding our efforts to address excessive overtime, after delving into the core of our production planning to provide our factories forecasts.



Photo: Factory 5472 in China



## Monitoring in 2018 – new audits, progress on Corrective Action Plans and deeper analysis on the more pressing issues

Of our textile production, 83% is located in high-risk countries and therefore, under strict monitoring. In total, we produce in 19 countries around the globe and 10 of them are based in high-risk locations. We have valid audits in 9 of them: Bangladesh, Cambodia, China, Moldova, Myanmar, Romania, Taiwan, Turkey and Vietnam. In 2018 we covered 97% of this volume by auditing or following up on audits performed between 2016 and 2018.

In 2018 we commissioned audits to FWF in China, Romania and Vietnam, covering 22% of our production volume for the year. The following is a summary of the findings of these audits in the particular context of each country.

This will be followed by an overview of the progress of Corrective Action Plans from previous years' audits in the other "high risk" countries where our products are made.

Last, we will provide a deeper analysis on the two central issues in our verification in 2018: working hours and wages.

### 2018 Audits China

China remains the largest garment exporter in the world today. In 2018, it also remained our largest exporter in term of number of factories we worked with, which totaled 32 and made up 21% of our FOB.

Dynamics in the Chinese garment sector have gone through some rapid and dramatic changes lately with a growth in manufacturing expertise, and improvement in wages, employment laws and overall working conditions. However, despite these positive changes we found that in 2018 many textile factories shrunk, changed location to places with lower living costs, and turnover increased or rather, factories lost many workers to the growing electronics industry, where jobs are less-labour intensive. Factory owners are finding it increasingly difficult to attract and keep workers. In our audits in 2018, we found that issues



Photo – Factory 5472 in China



with excessive overtime and insufficient wages (further aggravated with double-record keeping and a lack of transparency from the factories), freedom of association and collective bargaining prevail.

A consequence of this changing scenario is the fragmentation of our supply chain, where our production is spread across many factories, some of them quite small: 21% of the volume split into 32 factories means the average FOB we had per facility was 0,6% and this is a challenge for our monitoring and remediation. Our long-term sourcing strategy to consolidate the supplier network and relocation to more stable economic environment for our products remains in progress, which will surely help to our ameliorate these issues.

*After sourcing in 73 factories in this country in 2015, the number of facilities went to 51 in 2016, further down to 38 in 2017 and diminished to 32 in 2018. thus leading to a 16% reduction.*

Even though we continue to make progress in shrinking our supplier base, at 32 it is still quite large, and our efforts continue. A particular challenge here is to carry out consistent monitoring in the smallest factories: subcontracted by our business partners (i.e. we have no direct relationship with them) on an on-and-off basis, with anywhere from 18-40 employees, where we have very small volumes but make up a considerable portion of the production capacity, an official or full audit is neither feasible in the short term nor practical in the long-term. This criteria was true for seven factories, making up a total 1% of our FOB. In agreement with FWF, our QC team conducted 'Basic Health and Safety' checks with FWF's or with our internal auditing system, and we made a close follow-up of the findings we encountered. (see "Tail-End" in the monitoring overview per country at the end of this report).

This year we commissioned four verifications in China to FWF, covering more than the 16% of our total production in the country and making up for 3,5% of our total FOB.

Three of the factories had already been audited by FWF: one in 2014, and two in 2015. One factory, on the contrary, had never experienced an audit process.

The first audit was conducted in June, and with close cooperation, good progress was made in remediating the findings during the rest of the year: 6 out of 13 issues were solved or improved. For the remaining issues, we are discussing the findings

with the factory in order to find a solution.

The second audit was made in November, and the situation was not as positive: only 20% of findings were solved between the end of the year and the first quarter of 2019. In general, the facility (5023) is quite slow in addressing remediation: since the first audit in 2015, only half of findings have been improved. We are working closely with them on all new, not improved and partially solved findings of the most recent audit and also of past ones. The most relevant outstanding issues regard wages, working hours, safety at the workplace, communication of the FWF Code of Labour Practices, and keeping written track of complaints.

The two remaining audits were performed in December of 2018, consequently the report reached us in 2019 and therefore, remediation started to take place in 2019.

One of the facilities is quite small and new, our production volume around 1% of our total FOB, and the evaluation done by our local team, who visits the factory often throughout the year, had given us good results. However, the supplier who uses this factory foresaw to allocate our products there in the long term, and we occupy an important part of the factory's capacity so therefore, we decided to request FWF to perform a verification. This was their first audit and management didn't have any previous experience with social compliance. Regardless of this, they responded well to it and six of the findings were closed in a short time, namely issues with social security and insurance fees, ergonomic work stations, safety requirements and missing information for subcontractors. We are currently waiting for feedback or evidence of remediation on other taken and planned actions. One worrying finding which prompted our immediate reaction was that records showed that one worker did not earn enough to meet legal minimum wage requirements. The factory responded that this issue was limited to a single worker with special flexible time needs, and working less than the others meant that pay was less. We demanded that the factory remediate the situation and pay the worker at least the minimum wage, and that it made sure that this did not happen again. We ensured the factory's commitment for this.

Another of the factories audited, who has been a long term partner of ours, had the same problem. As well in this case, we reacted immediately and the factory's feedback was that the root of the problem is that workers are paid by piece, and the

factory had miscalculated its production targets. Basically, as a consequence of lower “output” in the production, workers ended up earning less. The factory approached this problem by increasing training for unskilled workers and augmenting deskilled processes. Additionally, we requested the local FWF audit team to assist the factory. Since piece-rate payments are common in China, the FWF team are experts on wage calculation and especially on supporting the translation of “piece-wages” into labour minute calculation costs to ensure the payment of minimum wages. They helped the factory to improve their internal system and make sure that production targets met at least minimum wages for all workers. According to the factory, wages have been improved and this is now taking place. This problem affected only a small portion of workers and wages for the majority of them met legal requirements.

This year’s four audits follow the trends of past years: the impact of benefits on wages stands at 10%-20% of the total earnings; overtime has a bigger share on wage calculation, in 2018 roughly 30% and in one case it reached a peak of 37% of the paid amount.

Like in the past, in 2018 we found excessive overtime, compounded with inconsistent internal record-keeping and tracking of working hours. This lack of transparency makes our follow up of both issues difficult, but we still try to have a dialogue with the factory to find joint corrective measures.

We continue to stress our commitment to transparency, non-discriminatory practice and providing equal benefits to all employees via an on-going dialogue with all suppliers and members of factory management.

Audit findings also indicate a general unawareness among employees of the FWF Code of Labour Practices, rights to collective bargaining and freedom of association. Additionally, a number of general health and safety issues are found across all those audited. These findings include: lack of ergonomic work stations, missing protective equipment, some hygiene issues, potential fire safety hazards, improper chemical and gas tanks storage, and lack of legally required certificates. We are following up on the completion of the remediation measures required.

## Romania

After Turkey, Romania’s garment industry is the most important in Central and Eastern Europe and it also plays an important role in Romania’s economy.

In 2016 we sourced in three factories counting for 6% of our FOB, in 2017 we increased this percentage, reaching 16%.

In 2018 we stopped producing garments in this country, and have only one partner producing footwear. Nonetheless, we increased our production volume to 18% of our total value, an increase of almost 15%, by bringing some items that were previously made in Asia, “closer to home”.

Our supplier has been our partner since 2008, and many changes have been registered since then. Our products amount to 26% of the factory’s total production capacity, which makes us their biggest client. This evolution and the long-term partnership have meant that we have been able to work more closely with the factory to improve working conditions.

*Since the start of our collaboration, it has been audited by FWF three times, namely in 2013, 2015 and 2018. According to the latest update, the factory fulfilled all recommendations previously given by the auditors.* More than 90% of findings have been improved through the years, and we are still working in ameliorating the situation.

There is no evidence of discrimination, exploitation of child or forced labour. Moreover, regular wages exceed the legal minimum wage requirement by almost 10% for the lowest paid workers and more than 50% for the majority of the workforce. Overtime does not have big impact on workers’ wage since it is rarely performed.

The only outstanding issue refers to some inconsistencies between formal qualifications and effective tasks. For solving it, some workers have attended professional trainings; we are currently waiting for factory feedback on the latest status, where management will match and document the formal qualification and the tasks that workers effectively perform.

Despite this last not-completely solved finding, we are proud to state that it can be considered as an example of good practices.

## Vietnam

In recent years, Vietnam has become an important country for the production of outdoor apparel, particularly for footwear. In terms of our own supply chain, this country has great importance since it produces the majority of our FOB.

In 2018, 30,8% of our total FOB was made in 9 factories. Over the last few years, we have managed to cover all factories in our monitoring. *We are currently relying, almost entirely, on FWF reports which cover 99,5% of our volume in the country.*

Among them, only one was conducted in 2018. It is the result of the collaboration between FWF and ILO Better Work, a flagship programme of the UN's International Labour Organisation.

The audited factory, based in Ho Chi Minh City, and employing 1850, has been our partner since 2016 and produces almost 2% of our total FOB.

The auditors found issues on freedom of association & collective bargaining, compensation, contracts, health & safety and overtime.

The facility has also some issues in communicating its policies both to Trade Union and to workers. On the one hand, issues were found of disciplinary practices which do not comply with legal requirement, are not discussed with the workers representatives. On the other one, the employer doesn't properly inform workers on the required conditions for getting bonuses based on performance appraisal.

Another issue concerning not paid allowances appears whenever workers are considered to illegally terminate their contract. Moreover, social dialogue, taking place during the annual labour conference, hasn't covered all the content required by law.

The biggest problems pertain to general workplace health and safety: missing permits, chemical safety records as well as emergency exit and escape routes signals have been recognized. In addition, auditors found a lack of accuracy in recording and investigating minor work-related accidents. The factory doesn't have the legally required number of OSH officers and the collaborator network is not fully trained. Other problems on health and safety concern not properly installed and maintained dangerous machines and equipment, together with missing PPE.

Last, it was found that the facility does not comply with the monthly and yearly overtime limits.

The audit took place at the end of December 2018, and results were communicated to us in February 2019 and follow up of the corrective action plan is still to be defined in the framework of the FWF – ILO cooperation agreement. Therefore, we will report on the progress of the corrective action plan in 2019. For the time being, we are able to report that issues regarding to mal-functioning fire detection and alarm sensors of some production areas were changed and tested during the 2nd day of the assessment.



Photo – Factory 3919 in Vietnam

## Corrective action plans of previous audits

### Analysis per country

After each factory audit, a corrective action plan (CAP) is made and shared with management, and a timeline for improvements is set. CAPs are useful for monitoring the progress on issues affecting working conditions after the date of the official audit. Our final goal is to solve all the findings recorded, thus we constantly work on CAP follow-ups.

Some issues may be solved in relatively short timelines, but others, requiring management or company cultural changes, require deeper analysis, longer planning and extra time for implementation. Therefore, we follow on audits up to 3 years on,

after which a new audit is done to look at the whole picture again. The following per-country analysis comprises 11 audits, covering 12,05% of our total FOB and done prior to 2018, with a summary of the closed, findings, those pending verification, in progress and to be discussed. Most health and safety issues are recorded in the first two categories; the second one is mainly for trainings or small changes in Human Rights policies or documents, and the third category is usually for issues which require longer discussion for clarification, negotiation, cooperation and therefore implementation, like overtime and wages.

## Bangladesh

Garment production is one of the most significant industries fueling economic growth in Bangladesh, equaling 80% of their export value. This year our own production in the country remained relatively small, making up only 8,9% of our FOB spread into 5 factories. Regardless of its lack of relative economic weight in our overall dealings, it remains an extremely important country in terms of our due diligence and social compliance work: for while garment production is such a relevant part of its economy, this sector continues to be one of the most at risk for issues such as health and safety in the workplace, harassment, excessive overtime, low wages, unauthorized sub-contracting, and general absence of union organization and healthy social dialogue.

*We continue to take our monitoring and remediation very seriously, and our audits (new or continued) cover 100% of the facilities where our products are made.*

We carried out a FWF audit in the factory where we are sourcing the largest part of our volume, namely 7,7% of our FOB. In



2018, we managed to get maternity leave paid as per law and within legal time period, and more awareness on FWF CoLP. After the WEP on harassment that took place last year, we continuously monitored the situation and we are happy to state that no more episodes of abusing words, beating and yelling have been notified. The biggest issue found in the factory audited back in 2017 was overtime. In one case, the facility was not transparent regarding wage records and workers were not aware that overtime must be voluntary. In the other factory, excessive overtime was found. According to Bangladeshi labour law, workers cannot be employed for more than 60 hours a week.

### Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
5843	7,73%	FWF 2017	17	14	-	-
5766	0,12%	EXT BSCI 2018	-	-	14	-
12456	0,05%	EXT WRAP 2018	2	-	-	1
12454	0,70%	EXT BSCI 2017	-	-	-	7
12455	0,33%	EXT BSCI 2018	-	-	-	8



## Cambodia

One of our partners has a factory in Cambodia, where 1,55% of our volume is produced. Our supplier is committed to implementing our Code of Conduct and Fair Wear Foundation's Code of Labour Practices.

In 2018, the factory was audited and many issues regarding working conditions was found.

*Most of the management practices and health and safety issues were solved in a short time, as well as compensation and potential child labour problems.*

Some findings regarding freedom of association, working hours, and forced labour are still pending. We worked closely with the factory to tackle those problems, and since we want to make sure those are solved, are waiting for conclusive evidence.

### Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
7218	1,55%	EXT SUM 2018	21	-	10	-

## Moldova

The textile, apparel, footwear and leather goods (TAFL) industry plays an important role in Moldova's economy and GDP. The majority of the volume produced is exported into EU countries. In 2016 we followed up on an audit in one Moldovan factory that covers 0,02% of our production.

*Even if it represents a minute part of our FOB, we work closely with the factory to improve the working conditions of its 270 workers.*

70% of the findings are considered closed and some minor issues concerning health and safety are still pending.

During the audit, the facility was found to have a low level of awareness about social responsibility and international labour standards. Since then, the factory has supported changes in the social compliance system.

### Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
10429	0,02%	FWF 2016	9	4	0	-

## Myanmar

Up until 2012, production in Myanmar was strictly prohibited by FWF. Today, even though the country has been democratised it remains an area of high concern and FWF members are required to follow a strict due diligence protocol. Garment workers in Myanmar often endure low wages, long working hours, denial of freedom of association and collective bargaining rights, and incidents of verbal and sometimes physical abuse. There is also a high risk of child labour. Like in previous years, our presence in Myanmar was not really significant: we sourced at only one factory and the production volume made up a mere 0,41% of our total FOB. Furthermore, in December 2017, upon request from the supplier, we agreed to stop sourcing with the factory, after the delivery of our summer 2018 orders.

*We stayed in good terms with the supplier, and having invested heavily in the partnership, we followed-up on the issues recorded in the 2017 audit.*

The reasons for this were that we had made great progress until then and wanted to see how much further they would advance, but also because we do not exclude that we will source in Myanmar in the future, and wanted to stay connected to the country in some way. Fortunately, our time and efforts paid off, as significant progress was made in resolving three critical issues: child labour, discrimination and verbal abuse. The supplier effectively implemented a more accurate age verification process upon hiring; he also, agreed to discard the pregnancy test foreseen for female workers during the health check as part of the hiring process; and last, he investigated existing complaints on verbal abuse from middle management to sewing workers, took disciplinary actions, designed and implemented an anti-harassment policy, and took on our suggestion to provide training to managerial staff, middle management and supervisors. Upon completion of this report, the supplier was yet to provide evidence of the trainings performed.



Photo – Factory 10775 in Myanmar

### Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
10775	0,41%	FWF 2017	18	7	-	-

\*Our monitoring of this factory was based on the FWF audit conducted in 2017. At the end of 2018, FWF conducted a new audit.

## Taiwan

For cut and sewn goods we produced only in 1 factory in Taiwan in 2018, which made up 0,04% of our total FOB.

One of the key issues found was overtime and the lack of an effective work schedule. Another important finding was a recruitment fee applied to migrant workers which was later confirmed to be borne by the employer, and not the workers. Also a handful of workplace safety issues were identified. Some of the minor issues included missing or blocked safety signage, and extension cords lying about in the walkways.

Some more critical issues included workstations partially blocked with work-in-progress materials, blocked fire extinguishers, emergency exits that opened inward (opposite of the flow of travel), machinery missing the safety cover plate for electrical wiring, and one locked emergency exit. *However, upon their identification factory management was very responsive and addressed all these potential hazards, fixing most issues immediately.*

### Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
2997	0,04%	Feng Yi 2017	8	-	3	-

## Turkey

Turkey is one of the biggest textile and apparel manufacturing countries and it is ranked as the 3rd larger supplier to the EU.

In 2018, we produced in 2 factories making up 1,1% of our total FOB. Both have been audited and shared issues on payment of

wages and social insurance. A common problem is the lack of an effective grievance mechanisms and a management system to collect information for improving working conditions. *This means that our work with the factory is not complete yet.*

### Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
12460	0,78%	EXT BSCI 2017	-	-	-	8
12118	0,32%	Intertek WCA 2016	-	-	-	4

## A deeper look into the most pressing issues: overtime and wages

### Working hours

Excessive overtime is one of the most prominent workers' rights violations in garment factories. According to laws and international standards, reflected in our Code of Conduct and the FWF Code of Labour practices, workers should be provided with at least one day off for every seven-day period and not exceed, on a regular basis, 48 hours per week. If overtime is necessary it must be voluntary and may not exceed 12 hours per week, so maximum working hours must remain within 60 per week. It is a complex issue and difficult to deal with because of the multiplicity of its causes, the "natural" peaks in the production due to seasonal orders, the fact that the phenomenon might be occasional and the difficulty to control factories from a distance, including transparency and reliability of working hour records. Causes range from causes such as *weak production planning, bottle necks in the production phase, insufficient training of operators, and delays in receiving trims*, to name a few. But these are only the causes related to suppliers, and when looking at overtime it is important to analyse first and foremost, if we are a part of the problem: *tight delivery times, late product confirmation, last-minute changes, urgent orders, none or unreliable forecasting, insufficient planning*.

So back in 2016, when we began to tackle this issue in a systematic manner, the first step was to find out the root causes of the problem by asking all suppliers to give us feedback on the possible trigger. We didn't obtain many answers, and those we collected are not exhaustive for understanding the potential issues causing excessive overtime. Only one factory explained the reasons behind the problem and since we have established a direct causality link, we could work on preventive actions. The supplier suggested a possible cause for overtime could be in our product development being slower than required for the leadtimes we requested. So we piloted a comprehensive questionnaire with the factory to find out the tight spots between

our product development and sourcing, and shared the feedback with our product managers to try to improve for future seasons. We will evaluate the progress in the following two seasons to check if any progress was made.

For the remaining factories, where feedback did not take us much further, we had to set a series of corrective and preventive actions in order to tackle this issue, based solely on audit documentation. For being more effective, we conducted a comprehensive study for analyzing the current working hours situation in the factories audited this year by FWF and other third-party auditing companies. We chose to focus only on 2018 reports, since they provide the most updated information and could more easily be used as a starting point to make improvements in the coming years.

The majority of our producing factories (55) are in high-risk countries. Among those factories, 13 were audited in 2018. Of the analysed facilities only 11 have complete information about hours of work (5 in China, 3 in Bangladesh, 1 in Vietnam, 1 in Romania and 1 in Cambodia) generate almost 32% of the FOB produced in high-risk countries.

For understanding the general working hour situation, we investigated the CAP of the audited factories with a specific focus on the following possible findings:

- Overtime is not voluntary
- Hours could not be verified due to inconsistent or incomplete records
- Company does not have a regulated or functional working hour registration
- Isolated inconsistencies between payroll records, payslips and other records (poor record keeping)
- No clear policy on overtime hours and/or policy has not been communicated to/or understood by workers
- Overtime is not announced in advance and without consent given by workers
- Total working hours exceed 60 hours a week
- Total working hours regularly exceed 48 hours (or local law when lower) to 60 hours a week
- Workers do not receive 1 day off after 6 days of consecutive work

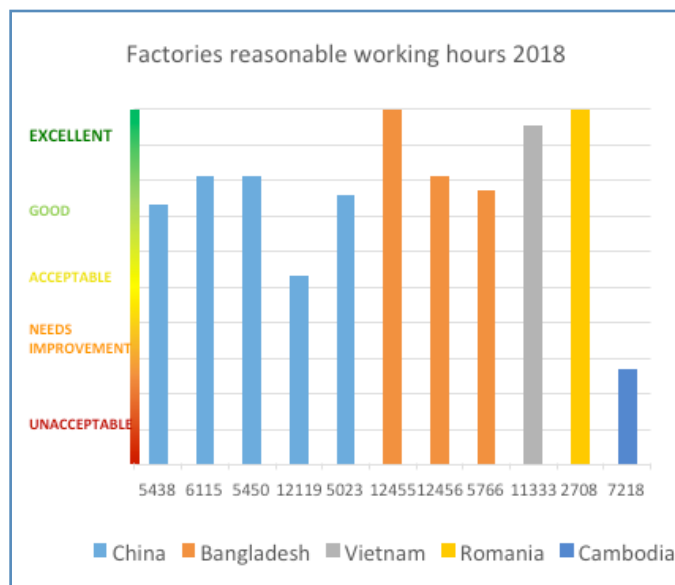


It is important to clarify that the label name on the evaluation and in the graphs below is not a judgment on the overall quality of the working conditions. This is particularly true for the area acceptable. Factories falling under this category have some important issues to deal with, which don't make their working conditions actually 'acceptable', but due to the numeric allocation and relative weight of findings, they land in that category.

The 1st analysis was conducted on a factory level.

As we can see, the majority of factories reach the good and excellent level. Only two factories show worrying situations.

Factory 12119 has excessive overtime above 60 hours per week, day off regularly missed and incomplete or inconsistent records keeping.



In the facility all departments have structural excessive overtime problem. Cutting, ironing, inspection and threads cutting workers work per week from 66 to 77 hours, i.e. from 10% to 28% more than the legal limit. (The factory nonetheless lands in the "acceptable" category despite the occurrence of three findings, please see the clarification above). We are currently working to improve the situation together with factory management,

however, progress is slow. Since this factory was audited by FWF at the end of 2018, we can't report on any solved issues yet.

Factory 7218 was audited in March and many issues were found, such as a lack of transparency concerning additional overtime work, and the impossibility to verify Sunday / holiday work by sampled wage and working time records review. According to worker representatives, the company has double-entry accounting. Moreover, it has been evidenced that production planning is often not based on realistic figures and workers reported that very often it is not possible to reach the incentive target or to refuse overtime.

This are challenging findings to tackle and we are monitoring the case closely, in cooperation with another FWF member brand sourcing in the factory. We are awaiting conclusive proof both on a production plan based on realistic figures, and on the stated closed issue of non-voluntary overtime.

The factory has a weekly production target output set up to 60 hours, thus it plans 8 regular hours plus 2 hours of overtime. This amount is within legal limits, but we are working with the facility to reduce the overtime even if is approved by the Government. Operations of the factory should be planned according to a 48-hour week; the 60-hour week should be an exception and not the rule.

The 2nd analysis was made on a country level.

Cambodia is represented only by the previously described factory, for this reason its score is low.

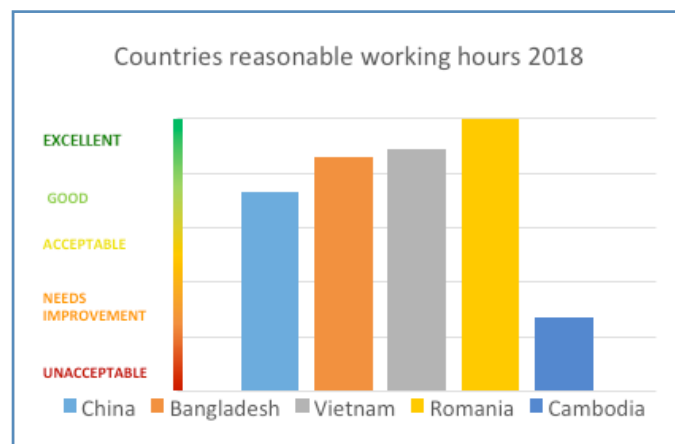
The opposite case of this country is found in Romania, where there are no problems connected with working hours and overtime is performed rarely.

Vietnam does not reach the top since in 2018 the audited facility does not comply with the monthly overtime limit of 30 hours. The three Bangladeshi factories audited in 2018 present different situations. The first one has overtime and working hours within legal limits and their calculation was found accurate.

The second factory had excessive overtime issues, but during onsite CAP folloy-up audit working hours were found within legal limits. We are currently waiting for current timesheet to confirm that excessive overtime is no more worked in the factory. The situation on overtime of the last audited factory has improved over the years. In contrast with the past, in 2018 audit the factory was found complying with the legal working hours limits.

Finally, in China the general situation on working hours is good, but in every factory, issues on overtime were recorded. In some cases it was limited to peak season or to a particular department, in others it was widespread in the entire factory.

There are several factories where overtime exceed the legal limits, with extra 10-15 weekly hours.



## Living wage

A living wage is the compensation necessary for a worker to meet his basic needs and provide some discretionary income. It should be earned during regular working hours and must not include overtime pay or incentive bonuses.

Workers in the garment industry often earn poverty-level wages and fair compensation is one of the challenges we face.

FWF's motto reads "Start paying higher wages. Now. Analyse what work based and what didn't. And then keep going".

Before doing so, we should be aware of the current situation and understand which are the actions to take to ensure a living wage for all workers.

At first, we collected data on the wages paid by the factory we collaborate with in order to have an overall picture. Then, we divided the total salaries in regular, benefit and overtime incomes for lower paid and mode workers.

*It is important to rely on solid benchmarks reflecting the judgments of various organizations. This data plays a fundamental role in the wages evaluation.*

The in-depth analysis is conducted on the factories based in high-risk countries. Evaluating living wage needs a high quality data, thus we kept only the facilities which could provide precise information, namely the 85% of the FOB (high-risk only).

Analysing wages in China means taking care of an additional hurdle: we have found that about 22% of factories pay wages on timerate, and the rest do so based on production output. Therefore, our due diligence regarding overtime and wages calls for checking that in factories where workers are paid "per-item", prices negotiated with our suppliers allow for reasonable working times and wages.

Regarding the benchmark for calculating Living Wages, FWF refers to Asia Floor Wage. We have decided not to refer to it for all factories in the country, because it is not representative.

China is divided into 32 regions, and each region in 2 or more "wage" zones, for a total of 116 zones and 51 different minimum wages, according to the living costs of each area. They range from 1000 to 2420 RMB and applying one benchmark would not be accurate. As far as our factory base, facilities are located in 16 cities in 11 areas, so there are 9 different minimum wages and they range from 1250 to 2200 RMB. This is

why one of the most important tasks we gave ourselves for 2018 was to determine a target wage per area, against which we could compare the factory wages.

For example, within all audits we followed up on in China in 2018, we found that in two factories the total mode income of workers was good and even reached the benchmark Asia Floor Wage, albeit with overtime. With regular wages, none of the factories would meet the requirement and lower paid workers' wages should be increased of 135% in average.

In Vietnam, we have the same scenario. Mode workers' wage should raise of 85% on average, and for lower paid ones the growth stands on 120%.

The importance of choosing the right benchmark is clear in the Bangladeshi case. For one factory we have differing stakeholders' judgments. Regular wage doesn't reach the living wage in neither case, but if the goal is achieving the estimated cost of living, the regular wage should augment from 18% to 45%. According to Trade Union, the increase is from 37% to 67%. On the contrary. Asia Floor Wage requests higher living wage, asking for 4 times the current regular income.

In Romania we audited the only factory we produce in, the basic wage is still far from the estimated living wage. Mode workers should see an increase of 50% of the regular salary. The rise is higher for lower paid workers and it stands at 114% of the current regular wage.

In Cambodia and Myanmar, workers should earn double of their basic income.

In Moldova, we have precise data only in one factory and we can observe a difference between the lower paid workers and the mode. In particular, the first should augment of 223% and the second of 145%.

There is a significant gap between what workers currently earn and what they should for meeting the living wage requirements. The road is still long and we would work on three fronts:

- Calculating a reliable living wage benchmark against which measure workers' pay
- Having more transparent information from all producing factories
- Investigate potential solutions, and our share in the relative costs

## The FWF complaints procedure

FWF gives brands the opportunity to provide remedy to workers in their supply chains. Workers or worker representatives file a formal complaint against their employer via the FWF complaints hotline. We take complaints very seriously and maintain a dedicated person to respond to these incidents immediately when they arise.

In 2018, we dealt with 3 formal complaints made via the FWF hotline, and one we decided to open after a fellow FWF member brand found an irregularity during a visit in a shared factory. Three of them concerned issues about the payment of a living wage and the legally binding employment relationship. The last one was a case of child work. The brief descriptions below provide an overview of the complaints, how they were handled, and their ultimate resolution. Additional to remediation of the single cases, we worked with the supplier to prevent similar cases from occurring in the future.

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### Complaint #1

#### Factory 5421: Vietnam

2 March 2018

The complainant worked at the factory for roughly two years. When she returned to work after 6 months of maternity leave, she was informed that her labour contract had expired and would not be renewed. She carried out four complaints, which were declared admissible and considered to be violating C.o L.P. *#8 'Legally binding employment relation'* and *#5 'Payment of a living wage'*. The other workers stated that the factory did not give her any advance notice for not renewing the labour contract. According to article 47.1 of the Labour Code, the employer should notify the employee at least 15 days before terminating their contract. The complainant felt that the reason of the non-renewal was due to her nursing mother status.

Deepening the complaint, it appeared that the factory had tried to notify the expiry date of the fixed-term labour contract but were able to reach her over the phone. The factory claims that the reason of non-renewal was her making many defective products and taking days off without informing.

Moreover, she did not receive the year-end bonus/13th month payment in 2017. This is not a compulsory payment and it depends on factory's policy. The factory explained that, as agreed with the factory labour union, workers who resigned or terminated the contract before year-end would not receive the bonus.

At the end of the working period in the factory, she did not receive her social insurance book. The document was made available for the complainant to pick up within 20-30 days of the contract's termination.

Finally, she complained of not having received medical benefits, including 5 days off to take care of her child, for recovering after childbirth. The medical benefits were issued together with the insurance book and have been paid.

In the end, we are happy to state that the factory has put good effort into quickly resolving the complaints with the worker, who in turn was satisfied with the outcome.

In order to prevent problems in the notifying process, the factory will give written communication whenever it would be unable to reach the worker by phone.

For further information about the complaint: <https://www.fairwear.org/complaint/salewa-dynafit-wild-country-complaint-356/>

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### Complaint #2

#### Factory 5421: Vietnam

1 April 2018

The same worker of the first complaint claimed that she hadn't received the severance allowance and unused leave payment for 2017. The complaint, which was found during an audit, had been declared admissible, and was considered relevant to the FWF C.o L.P. *#8 'Legally binding employment relation'* and *#5 'Payment of a living wage'*. The factory agreed to pay the missing payment and thus resolve the complaint.

For further information about the complaint: <https://www.fairwear.org/complaint/salewa-dynafit-wild-country-complaint-374/>

### Complaint #3

#### Factory 5421: Vietnam

30 January 2018

The complainant worked at the factory from 22 September 2017 to 31 October 2017 under probation period. The factory then suggested to sign a one-year contract, but she didn't sign and instead she quit for an urgent matter. She didn't receive her salary for her last worked month, namely October 2017. When she went to the factory on 7 February 2018, she didn't get paid since she didn't have her employee ID card nor identity card. The factory asked her to come back later with an ID card.

The complaint was brought to the attention of the supplier since judged admissible falling under the FWF C.o L.P. *#8 'Legally binding employment relation'* and *#5 'Payment of a living wage'*. According to article 96 of the Labour Code, the employee shall be paid directly and in special cases the salary may be paid one month later maximum. Thus, she shouldn't have had to wait more than 30 November for receiving her remaining payment, but as of that date she hadn't been paid.

As a result of the complaint, the factory was asked to pay the due wage and the cost of transportation. When the complainant went to the factory on 27 November 2018, she received the remaining salary and didn't claim any transportation fee. We therefore requested the supplier to send us a proof of the payment. We are still waiting for the document, but we are certain that the complaint has been closed, as specified on the FWF portal.

### Complaint #4

#### Factory 12137: Vietnam

18 April 2018

On April 18 2018, representatives of FOND OF visited Minh Quang factory, a subcontractor of bag suppliers Viva and Shilla, and discovered a very young-looking female worker. After investigation by a FWF representative, it was discovered that her date of birth was 24 August 2004. According to Vietnamese law, regular workers must be at least 15 years of age. Accordingly, she was under 15 years of age and thus not allowed to work. This finding is against C. o L.P. *#4 'No exploitation of child labour'*.

As a result of the incident, the parents of the worker will be paid a compensation from June 2018 to August 2019, when she will be able to regain the position. This payment was planned to reduce the risk that she is put back to work because of financial hardship within the family.

In the meantime, the girl will not work until she reaches the legal age and she will be able to attend school or vocational training instead.

In case she will choose to work for the factory when she turns 15, the factory has agreed to provide her a position in line with juvenile labour rules and regulation, and one that does not pose any risk to her health and safety.

All the parties (both brands, the suppliers and the factory) are contributing to preventing such cases happening in the future through a deeper verification of workers' ages.



Photo – Factory 3919 in Vietnam



## Activities to Inform Staff Members

Our social compliance work also includes internal initiatives. Our pledge towards transparency and social justice in our supply chain is something we are very proud of. We believe that all members of the company should act as ambassadors of these achievements, and why we work to inform all employees about our work.

For example, at our company-wide Employee Meetings our CEO or Manager describes both our environmental and social compliance activities. This includes details about our on-going work, the challenges faced, and the milestones achieved. We also believe this is an important moment where annually we reinstate our greater value as a company, and a reminder of our dedication to improving the everyday lives of those working to make our products - no matter where they are in the world.

Likewise, our social compliance and sustainability work is integral to the training of our retail staff. The Retail Academy is a bi-annual session with members of our retail staff to educate them about products, the company mission and values, and Sustainability activities. Social compliance and our partnership with FWF make up a big part of how we internally communicate and educate staff on not only our Sustainability work, but also our greater mission and values. This year we held sessions with our Italian and German retail teams, and they were very pleased with the results we have been able to achieve.

In 2018 we also conducted sustainability trainings in three of our retail shops in Italy. The objective of these trainings was to share in-depth information on our work and recent achievements and give the staff the adequate knowledge and background to be able to share this information with our final consumers. In 2018 we also held workshops with our sales teams as well as the marketing and communications team. Finally, we ensure all of our production partners -- whether they are agents, intermediaries, or factories -- are aware of and committed to our CoC, and FWF's CoLP. In the cases where we do not have direct contact with a factory, but instead communicate via an agent or intermediary it is the agent's or intermediary's responsibility to ensure compliance to our social standards.

As a form of training for our team in Asia, we arranged for local Quality Control staff to be present at two FWF audits in China. In this way, they could earn first-hand experience on the way FWF works on the field, how information is prepared and dealt with, how factories and workers react, which are the most difficult or pressing issues, and the preparation of a corrective action plan. This empowers our staff and allows them to better support us in following up on audit CAPs and in performing our own audits: the screening procedure when on-boarding new factories, and the health and safety checks on the smallest ("Tail End") factories.

## Activities to Inform Manufacturers & Workers

Beyond auditing, Workplace Education Programmes and trainings make up a big part of our work with factories. These education programmes aim to foster social dialogue and to resolve issues through open communication. FWF offers both general and country specific modules. They cover topics such as: FWF's Introduction to workplace awareness and grievance mechanisms; Violence prevention capacity (India, Bangladesh);

Supervisor training (India); Worker-management communications (Indonesia, Myanmar, Vietnam, China, Turkey); Risks facing Syrian refugees (Turkey).

This year, our suppliers participated in 3 different types of trainings. The following section details the worker education programmes organized this year as well as their outcomes.

### WEP #1

**18 – 20 September 2018**

**Factory 5414: Vietnam**

**Type of training: FWF overview**

In recent years, Vietnam has become an important country for the production of outdoor apparel, especially for footwear. It is also particularly important in terms of our own supply chain. In 2018, although we produced in only 9 factories, this impressively made up nearly half of our total FOB, at 30,82%. Over the last few years, we have managed to cover the whole of this volume in our factory monitoring.

The management staff was trained in 2 sessions of 2 hours each. The group was composed of 32 people, namely 29 females and 3 males, standing for 18% of the total. To train 254 workers (219 females and 35 males: 10% of the total workers), 8 sessions were needed, also of 2 hours each. Only 245 of them completed the training.

The goal of this training was to give an overview of FWF work and responsibilities, increase awareness of the Code of Labour Practice and its implementation, and explain the complaints mechanism.

The outcome of the training was positive, participants appreciated the session and wish to have regular training in order to observe their improvements and have better working conditions.

The majority of management staff (84%) has evaluated the training as excellent. And according to workers, it was easy-to-understand and useful. They had acquired a good knowledge about C.o L.P. and laws, but they were not completely satisfied about the complaints reporting.

### WEP #2

**6 -7 December 2018**

**Factory 7371: Vietnam**

**Type of training: FWF overview**

This training was very useful for workers and management staff since for some of them this was the very first opportunity learn about the labour standards.

4 training sessions were conducted for a total of 155 workers (80% female and 20% male) and 2 sessions for 49 management staff (90% female and 10% male).

The aim of the training was to explain both FWF's and Brands' responsibilities as well as the 8 labour standards, worker management, internal and external grievance mechanisms, FWF complaints mechanism and C. o L.P. and relevant laws. The awareness about FWF work was not high before the training session.

The post-training evaluation indicates that participants walked away with a true understanding of the topics covered.

The three labour standards that were seeing to need improvement with a higher priority were wages and benefits, working hours and working conditions. In the case of a complaint, the majority of respondents (78%) indicated they would talk directly to the complainant. 69% indicated they would pass the complaint along to HR, 55% indicated they would inform the labour union, and 24% said they would file their complaint via the FWF hotline and none would ignore the complaint.

### WEP #3

**20, 21 and 22 December 2018**

**Factory 3919: Vietnam**

#### **Type of training: FWF overview**

The training was held in two separate groups. The management staff attended the education programme in 3 sessions, 2 hours each. The workers participated in a 3 day training, composed of 2 hour sessions, counting for 9 sessions in total. In the end, 12% of the workers (360: 283 female, and 77 male), and 20% of management (103: 88 female, and 15 male) attended the training.

Before holding the training, management staff was not very familiar with the role of FWF in the factory. The discussion was mainly focused on the 8 labour standards, also touching upon the actual working conditions of the factory. The training was useful to suggest to keep written track of all complaints, even if they are normally solved verbally. At last, FWF introduced the complaints hotline and explained the procedure.

The training held for the workers was slightly different. First of all, trainers made sure that workers clearly understood their rights and obligations. Secondly, they focused on the 8 FWF labour standards to increase awareness on the basic codes and laws. Then, to ensure the respect of workers' rights, the trainer provided information on the internal and external grievance mechanism and the FWF complaints procedure.

The last part was dedicated to the positive and negative feedbacks on the factory.

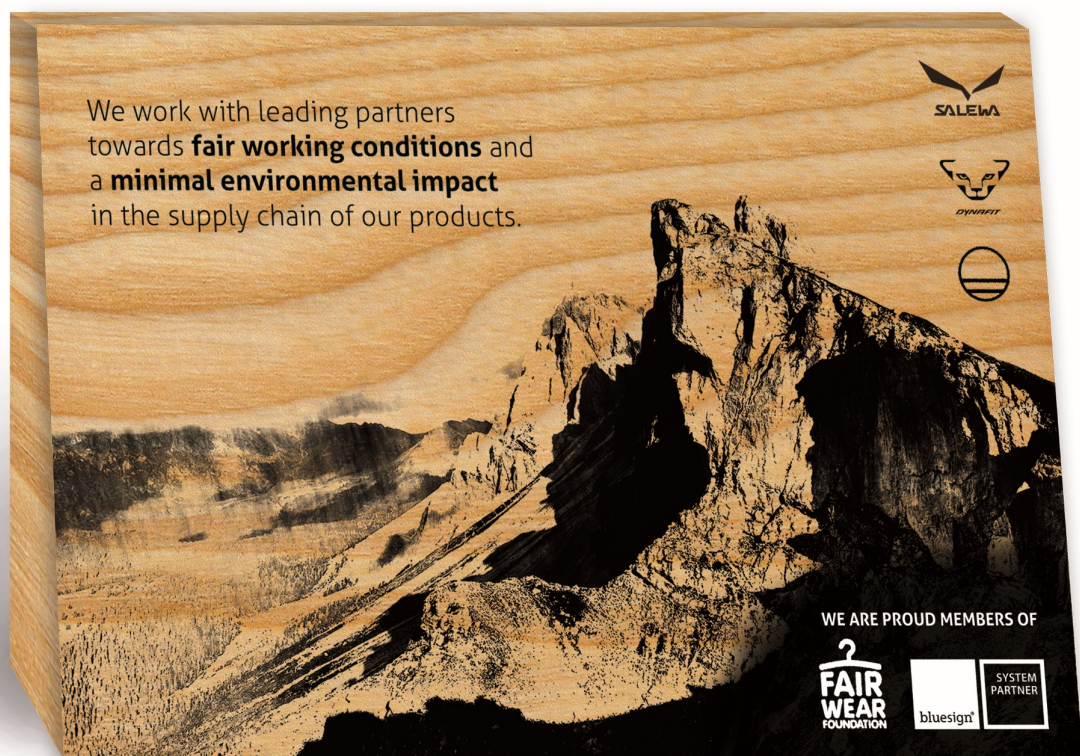
The majority of participants at both trainings were satisfied and had increased their knowledge about rights and obligations, FWF and complaints mechanisms. In general, participants were engaged with the training and the training atmosphere was friendly.

### We are proud of the work we are doing, and we want people to know

It is a continual process, as every year we want to share more and more, and so communication and transparency about our social compliance work comes as a given - One of our primary ways to inform customers, employees, and others about our work is the publishing of our annual Social Report (the one you are reading right now), and the year's Brand Performance Check results. These are made available on the websites of each of our brands, as well as on the Oberalp Group website. The Social Report is a way for us to highlight our accomplishments and challenges from the previous year in a way that is useful for a general audience. Similarly, our group wide sustainability report (to be published later this year) will also act as

another channel to communicate our social compliance efforts and FWF work.

Additionally, there are a number of in-store opportunities for customers and employees to learn more about FWF, and what we are doing as a company to address human rights issues in our supply chain. There are plaques at cash registers, and FWF logos on shopping bags as a means to communicate our commitment to fair working conditions. Furthermore, we provide brochures about FWF, in the local language, at all of our retail stores.





In the **forthcoming** year we want to keep up the **momentum** that we have generated over the previous years. During the end of last year, and at the beginning of this we have experienced a lot of staff changes. This means building new internal alliances to ensure we can continue our systematic and integrated approach to our social compliance work. Likewise, we aim to take the opportunity of our 5 year anniversary as FWF members to benchmark our work and progress, while also creating an internal system to regularly measure and evaluate this progress.

Building off of that, another goal for this year is to take that systematic and integrated approach and apply it address living wages in our supply chain. The complexity of establishing the value a living wage cannot be understated. For this reason we will continue to establish the root causes for non-payment of living wages. One part of this analysis will require working with the supplier to understand how labor costs are allocated in our Bill of Material, and then to verify that the worker salaries correspond to labor costs. This will remain an ongoing and in depth work, but it is important to us that we achieve substantial progress on this issue this year. Lastly, it has been agreed with our new Sourcing department that further consolidating our supply chain will remain a priority. We believe, this is one of the best ways to establish meaningful relationships with our suppliers, and to foster real and lasting change.



## ANNEX – FULL FACTORY LIST

(In alphabetical order)

**SOCIAL REPORT 2018**  
SALEWA – DYNAFIT – WILD COUNTRY

### Albania

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
13689	2018	apparel	Dynafit	0,04%	✓		

### Austria

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
4570	2007	apparel	Salewa	0,05%	x		

### Bangladesh

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
5766	2014	apparel	Dynafit	0,12%	✓	BSCI 2018	
5843	2014	apparel	Salewa Dynafit	7,73%	✓	FWF 2017	2017
12454	2018	apparel	Salewa Dynafit	0,70%	✓	BSCI 2017	
12455	2018	apparel	Salewa Wild Country	0,33%	✓	BSCI 2016	
12456	2018	apparel	Salewa	0,05%	✓	WRAP 2018	

### Cambodia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
7218	2015	footwear equipment	Salewa	1,55%	✓	SUM 2018	



# ANNEX – FULL FACTORY LIST

(In alphabetical order)

**SOCIAL REPORT 2018**  
SALEWA – DYNAFIT – WILD COUNTRY

## China

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
3267	2002	footwear equipment	Salewa	0,66%	✓	SMETA 2017	2016
5023	2014	footwear equipment	Salewa	1,15%	✓	SMETA 2017	2016
5433	2012	footwear equipment	Salewa	0,65%	✓		
5438	2010	apparel	Salewa	1,14%	✓	FWF 2018	
5448	2009	apparel	Salewa	0,04%	✓		
5450	2014	apparel	Salewa Dynafit	0,30%	✓	FWF 2016	
5472	2011	apparel	Salewa Dynafit Wild Country	3,98%	✓	SUM 2017	
5532	2012	apparel	Wild Country	0,005%	x		
5610	2010	apparel	Salewa	0,02%	x	BSCI 2015	
6115	2015	apparel	Dynafit	0,20%	x	WRAP 2017	
7689	2013	apparel	Salewa	0,20%	x	SGS 2018	
7823	2012	apparel	Salewa Dynafit Wild Country	5,16%	✓	SMETA 2017	2016
8326	2015	technical hardware	Salewa Wild Country	0,31%	✓	FWF 2016	
9724	2015	apparel	Dynafit	0,25%	✓	Tail-end requirements	
9725	2015	apparel	Salewa Dynafit	2,10%	✓	FWF 2016	2016
9731	2013	apparel	Dynafit	0,27%	✓	SMETA 2016	
9756	2014	apparel	Salewa Dynafit	0,18%	✓		
9787	2015	apparel	Salewa	0,23%	✓	Tail-end requirements	
9792	2015	apparel	Salewa	0,20%	✓	FWF 2017	
9876	2016	apparel	Salewa	0,14%	✓	BSCI 2017	
9880	2015	apparel	Salewa	0,01%	✓	Tail-end requirements	
11120	2009	apparel	Dynafit	0,01%	x		
11699	2011	apparel	Salewa Dynafit Wild Country	0,93%	✓	FWF 2017	
12093	2016	apparel	Salewa	0,54%	✓	BSCI 2016	
12115	2017	apparel	Salewa	0,23%	✓	SMETA 2016	
12119	2016	apparel	Salewa	1,00%	✓	FWF 2018	
12403	2018	apparel	Salewa Wild Country	0,40%	✓	Tail-end requirements	

## ANNEX – FULL FACTORY LIST

(In alphabetical order)

**SOCIAL REPORT 2018**  
SALEWA – DYNAFIT – WILD COUNTRY

12404	2018	apparel	Salewa	0,10%	✓	
12453	2018	apparel	Salewa	0,57%	✓	BSCI 2017
13690	2018	apparel	Salewa Dynafit	0,12%	✓	
13691	2018	apparel	Salewa	0,02%	✓	

### Czech Republic

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
5418	2009	technical hardware	Salewa	0,32%	x		
12059	2017	technical hardware	Salewa	0,38%	x		

### Germany

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
10427	2016	apparel	Salewa	0,02%	x		

### Italy

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
5058	2015	apparel	Salewa	0,02%	x		
5416	2005	footwear equipment	Dynafit	8,93%	✓		
5451	2010	apparel	Salewa	0,19%	x		
5459	2005	apparel	Salewa Dynafit	0,81%	✓		
9682	2015	apparel	Salewa	1,86%	✓		
9728	2012	apparel	Salewa Dynafit	0,12%	x		
9729	2015	apparel	Salewa Dynafit	0,13%	x		
9856	2016	technical hardware	Wild Country	0,01%	x		



## ANNEX – FULL FACTORY LIST

(In alphabetical order)

**SOCIAL REPORT 2018**  
SALEWA – DYNAFIT – WILD COUNTRY

### Lithuania

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
3854	2011	apparel	Salewa Dynafit Wild Country	0,54%	✓		
5435	2011	apparel	Salewa Dynafit Wild Country	1,49	✓		

### Myanmar

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
10775	2014	apparel	Salewa	0,41%	✓	FWF 2017	2017

### Portugal

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
13688	2018	apparel	Dynafit Wild Country	0,16%	✓		

### Republic of Moldova

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
10429	2017	apparel	Dynafit	0,02%	x	FWF 2016	
12452	2017	apparel	Dynafit	0,30%	x		

### Romania

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
2708	2008	footwear equipment	Salewa Wild Country	18,70%	✓	FWF 2018	2016

### Slovakia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
9829	2014	technical hardware	Salewa	0,07 %	x		

### Slovenia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
2959	2009	apparel	Salewa Dynafit	0,38%	x		

## ANNEX – FULL FACTORY LIST

(In alphabetical order)

**SOCIAL REPORT 2018**  
SALEWA – DYNAFIT – WILD COUNTRY

### Switzerland

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
5417	2007	skins	Dynafit	1,46%	✓		

### Taiwan

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
2997	2008	footwear equipment	Salewa	0,04%	x	Feng Yi 2017	

### Turkey

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
12118	2017	apparel	Dynafit Wild Country	0,32%	✓	Intertek WCA 2016	
12460	2017	apparel	Salewa Dynafit Wild Country	0,78%	✓	BSCI 2017	

### Vietnam

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2018	Audit / Year	WEP/Training
3919	2009	apparel	Salewa Dynafit Wild Country	6,67%	✓	FWF 2017	2015/2018
4568	2013	apparel	Salewa Dynafit	0,24%	✓	FWF 2016	2017
5414	2007	footwear equipment	Salewa Dynafit	10,42%	✓	FWF 2016	2018
5421	2013	footwear equipment technical hardware	Salewa Dynafit Wild Country	2,17%	✓	FWF 2017	2016
5645	2012	footwear equipment	Salewa Dynafit	8,63%	✓	FWF 2017	
7371	2014	apparel	Dynafit	0,14%	✓	SUM 2017	2018
9321	2018	apparel	Salewa Dynafit	0,21%	✓	FWF 2016	
11333	2016	footwear equipment	Salewa	1,90%	✓	BETTER WORK 2016	
12250	2018	apparel	Salewa	0,44%	✓	FWF 2017	