



# SOCIAL REPORT 2017




<b>THE OBERALP GROUP AND OUR BRANDS</b>	3
<b>SUMMARY: GOALS &amp; ACHIEVEMENTS 2017</b>	4
<b>FAIR WEAR FOUNDATION</b>	5
<b>SOURCING</b>	
Organisation of the Sourcing Department	7
Integrated Monitoring Activities & Sourcing Decisions	8
Supplier Relations	9
Production Countries	12
Production Cycle	14
<b>OUR STANDARDS</b>	
Code of Conduct	15
Ensuring that our Code of Conduct is implemented	16
<b>AUDITING PROGRESS</b>	
Ongoing challenges	20
Audit findings – 2017	21
<b>COMPLAINTS HANDLING</b>	
The FWF complaints procedure	29
<b>INTERNAL TRAINING &amp; CAPACITY BUILDING</b>	
Activities to Inform Staff Members	32
Activities to Inform Manufacturers & Workers	32
<b>TRANSPARENCY &amp; COMMUNICATION</b>	36
<b>2018 GOALS</b>	37
<b>ANNEX – FULL FACTORY LIST</b>	38

**1981** Oberalp Group Spa is founded



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



**2003** Oberalp acquires Dyanfit; 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, **Oberalp Group** is a leading provider of outdoor, technical apparel and equipment for mountain sport enthusiasts. Today, it owns four brands, **Salewa, Dynafit, Pomoca, Wild Country**, and also acts as EU distribution for other internationally recognized sports brands.

This year represented 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 77% 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 15%), 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 73% 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 CSR teams.

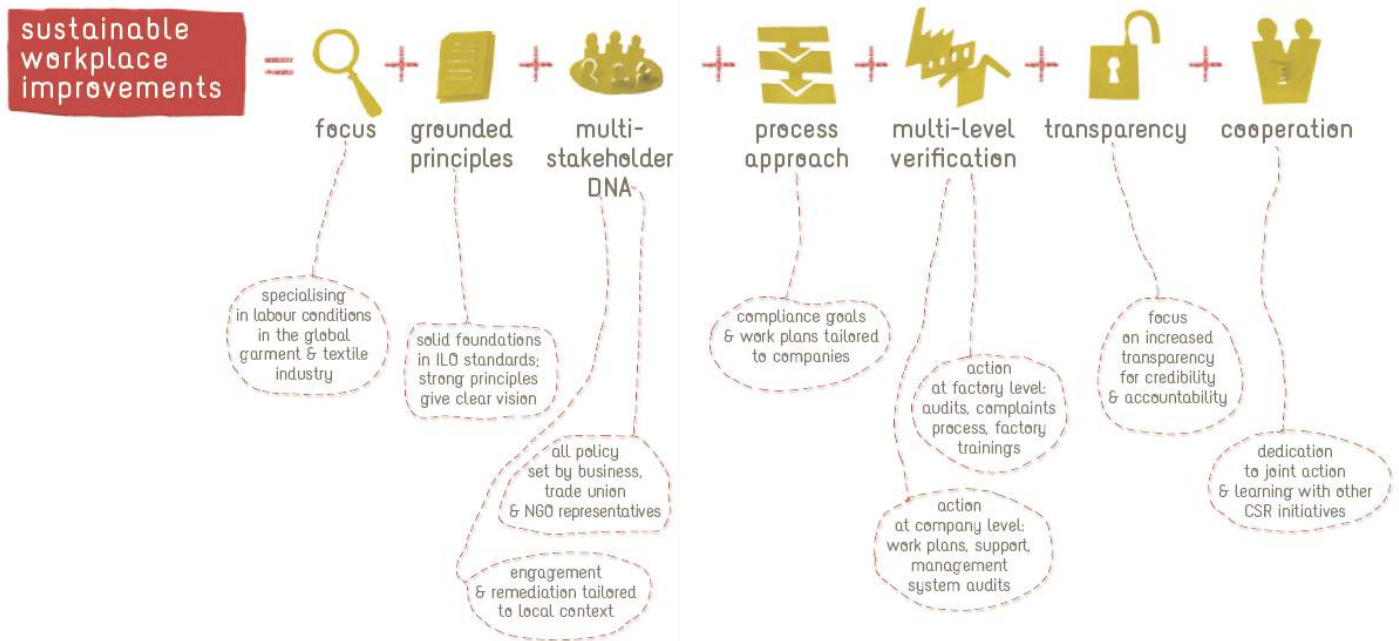
Challenging aspects of our work from this year continued to be the attempt of suppliers to allocate our production orders to unknown or not-yet approved factories right before order placement and the recurring use of double records, and/or non-transparent recording keeping of hours and wages. We checked 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 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:



www.fairwearfoundation.org

**1** employment is freely chosen



www.fairwearfoundation.org

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



www.fairwearfoundation.org

**3** no discrimination in employment



www.fairwearfoundation.org

**4** no exploitation of child labour

## ELEMENTS OF FWF'S CODE OF LABOUR PRACTICES



www.fairwearfoundation.org

**5** payment of a living wage



www.fairwearfoundation.org

**6** reasonable hours of work



www.fairwearfoundation.org

**7** safe and healthy working conditions



www.fairwearfoundation.org

**8** a legally binding employment relationship

Source: Fair Wear Foundation



Photo – Factory 10775 in Myanmar

## Organisation of the Sourcing Department

We do not own any factories of our own. Consequently all of our production takes place at external facilities. Among our brands our production is broken down into 3 key divisions – apparel, footwear and equipment, and technical hardware. 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. This equates to:

### Our 3 Key Divisions

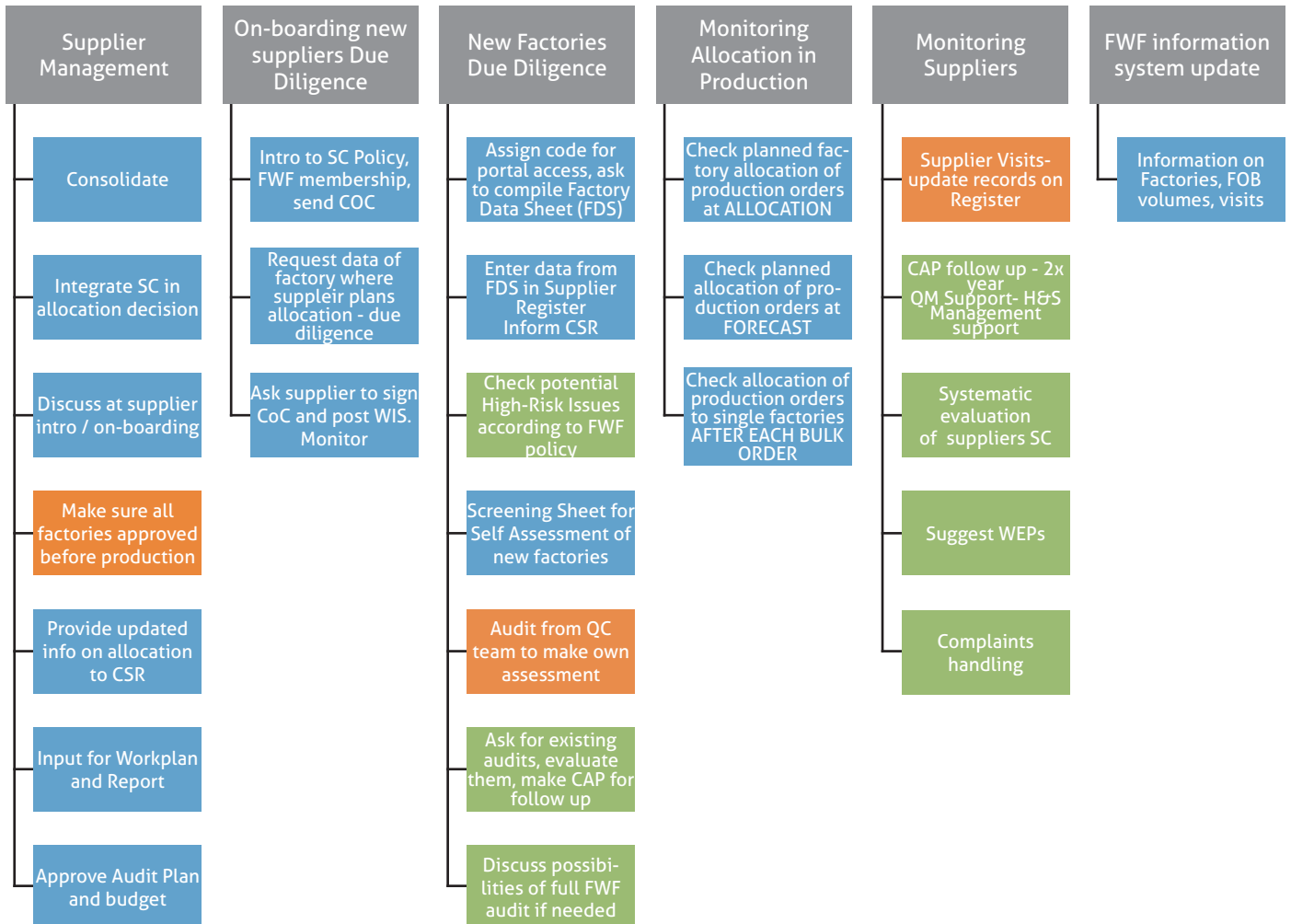
**APPAREL** (menswear, women’s wear, accessories, denim, knitwear)

**FOOTWEAR & EQUIPMENT** (shoes and boots, tents, backpacks and bags, sleeping bags).

**TECHNICAL HARDWARE** (cords, ropes, slings)

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.* In cooperation with the CSR 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.

## Integrated Monitoring Activities & Sourcing Decisions



Sourcing  
Planning  
Purchasing  
Quality  
Management  
CSR

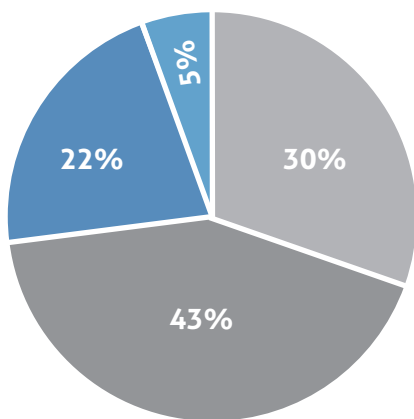


## Supplier Relations

**Long & stable Supplier Relationships** - One of our primary objectives in our 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. It is our belief that 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 consider our fundamental role to encourage and facilitate dialogue that seeks to align our own values and goals with those of our suppliers. This on-going process is central to our social compliance efforts, and demands our constant monitoring and evaluations.

In 2017, almost  $\frac{3}{4}$  of our total FOB volume came from factories where we hold **long-term relationships**



	2015	2016	2017
More than 10 years	17%	14%	31%
5 to 10 years	43%	50%	42%
2 to 4 years	30%	30%	22%
1 year or started in 2017	9%	6%	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 cease cooperation with suppliers where our CSR standards are not being met. Pre-existing suppliers are evaluated periodically on all aspects of their performance including: results obtained in audits and monitoring, cooperation to observe corrective action plan remediation, the implementation of our CoC, quality per-

formance, 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 CSR 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 2017, of 15 new facilities only 4 factories (and 0,2% of our FOB) corresponded to our

search for a new technical partner; most of them (10) were cases where our suppliers shifted production elsewhere; and one factory in Turkey was our trial of a new supplier 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 2017 fulfilled our due diligence requirements

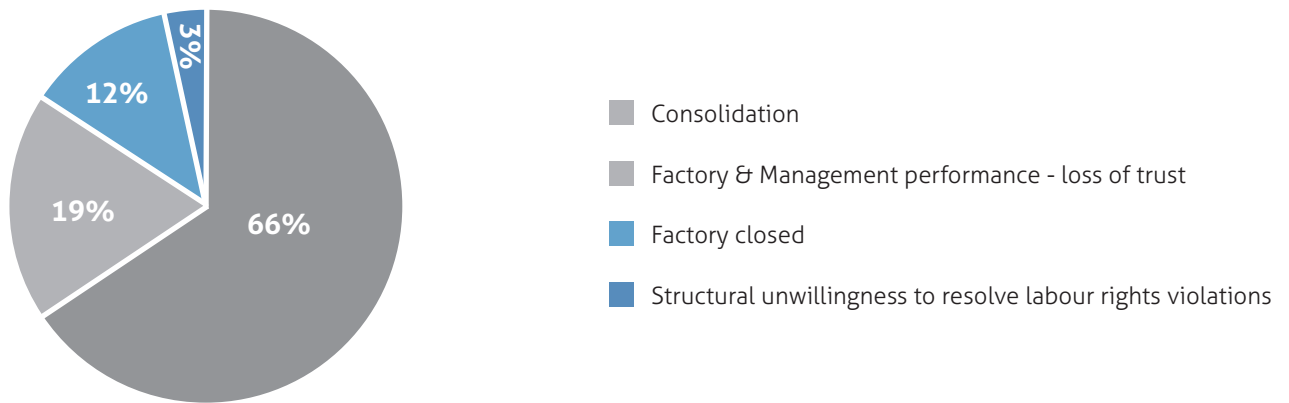
When on-boarding any new supplier they must first complete the following **due diligence requirements**:

- 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 2016 and 2017, we ceased sourcing at 32 factories. 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. The reasons were multiple, and can be grouped into

cases of consolidation (some times of our initiative and sometimes the suppliers'), poor performance from the suppliers on production and important workers' rights violations or high risks thereof by means of failure to comply with important preventive measures.

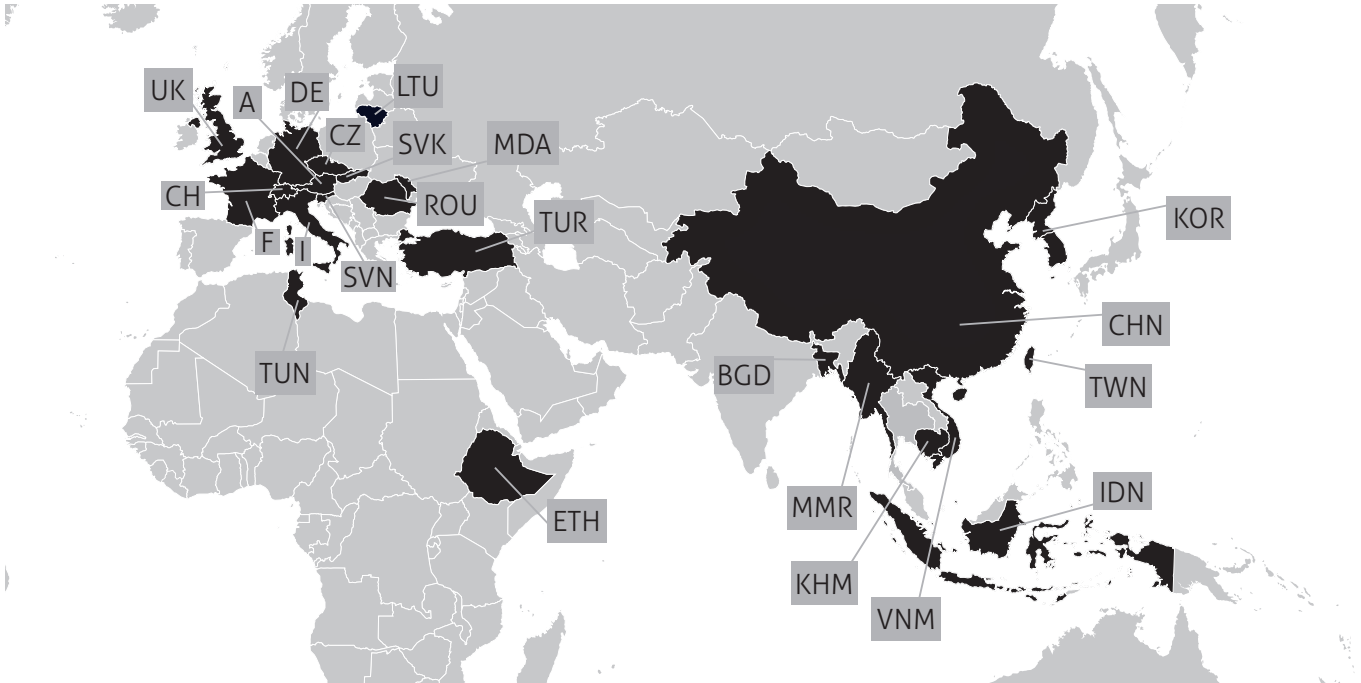
Of the 32 factories we ceased cooperation with over the previous year, **66%** occurred as **part of** our supply chain **consolidation efforts**



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

Between 2016 and 2017 **we consolidated our number of factories by 15%, from 102 to 87.**

## Production Countries



In 2017, our production took place in **21 countries** across the globe. We maintain production partnerships – considered by the FWF and others – in high and low risk countries.

**High risk:** Bangladesh, Cambodia, China, Ethiopia, Indonesia, Korea, Moldova, Myanmar, Romania, Taiwan, Tunisia, Turkey, Vietnam

68 (78,16%) of our factories are located in these countries

83,82% of our production volume (FOB) comes from high risk countries

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

19 (22,98%) of our factories are located in low risk countries

While 16,4% of our production volume (FOB) comes from these countries

**FOB** is the acronym for 'Freight on Board' or 'Free on Board'. It indicates the price a brand pays for a garment once it has been loaded on a ship for export. This common payment arrangement for the garment industry, is one type of documentation used by FWF in assessing monitoring systems and how we estimate the relative importance of a factory in economic terms.

Source: Fair Wear Foundation

Divided by division, our production took place in the following countries:

**Apparel**

<b>COUNTRY</b>	<b>VOLUME OF FOB</b>	<b>NUMBER OF FACTORIES</b>
China	16,38%	38
Vietnam	8,32%	4
Bangladesh	6,91%	6
Lithuania	2,04%	2
Italy	1,84%	7
Indonesia	1,25%	3
Turkey	1,00%	2
Tunisia	0,84%	1
Myanmar	0,49%	2
Ethiopia	0,22%	1
Moldova	0,22%	2
Slovenia	0,11%	1
Romania	0,07%	2
Austria	0,04%	1
United Kingdom	0,02%	1
Germany	0,01%	1

**Technical hardware**

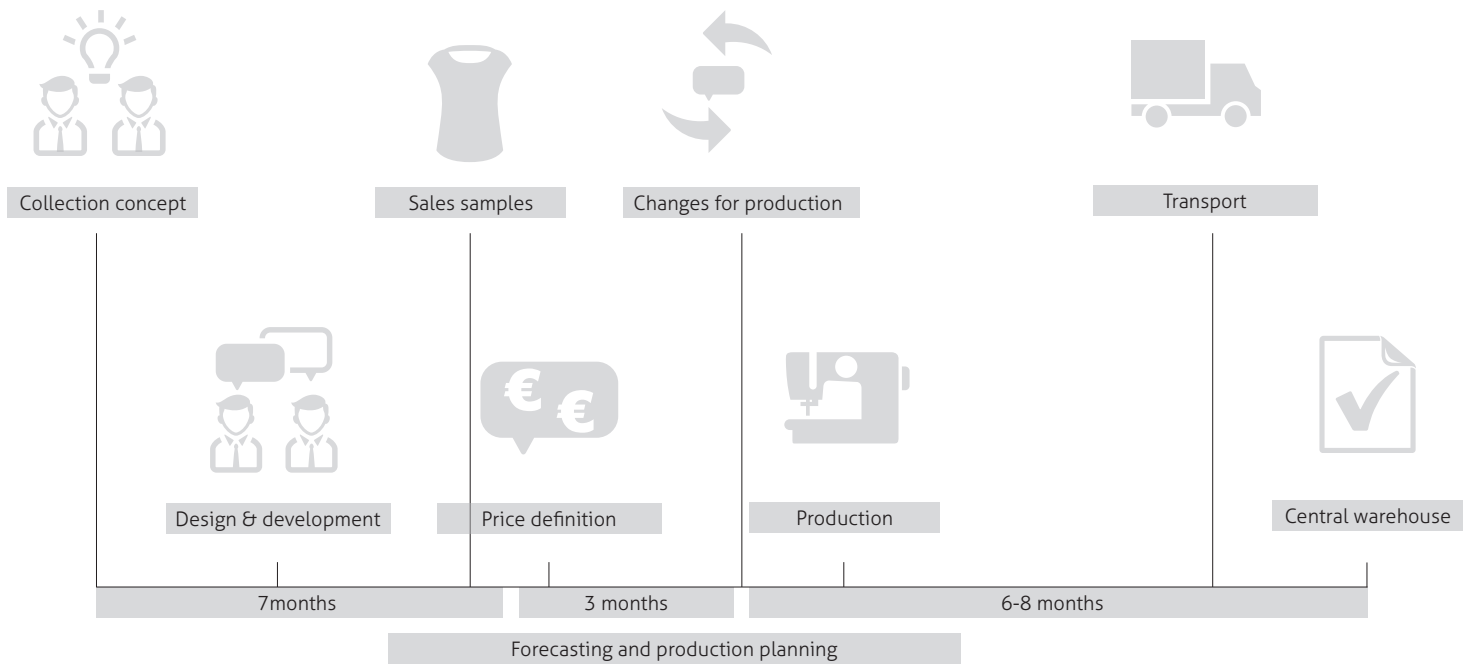
<b>COUNTRY</b>	<b>VOLUME OF FOB</b>	<b>NUMBER OF FACTORIES</b>
Czech Republic	1,05%	2
China	0,78%	1
Slovakia	0,17%	1
Italy	0,05%	1

**Footwear and equipment**

<b>COUNTRY</b>	<b>VOLUME OF FOB</b>	<b>NUMBER OF FACTORIES</b>
Vietnam	28,61%	4
Romania	16,31%	1
Italy	9,84%	1
China	2,25%	4
Cambodia	0,24%	1
Taiwan	0,09%	1

## 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 (2017)
ISPO fair	→ 5 February – 8 February
Chinese New Year (China, Vietnam)	→ 28 January – 11 February
Easter	→ 16 April
Burmese New Year	→ 18 April – 21 April
Golden Week (Japan)	→ 29 April – 4 May
Dragon Boat Festival	→ 30 May
Outdoor Friesrichshafen	→ 18 – 21 June
Eidul Fitr (Bangladesh)	→ 25 – 27 June
Sacrifice Feast (Turkey)	→ 1 September
Eidul Adha (Bangladesh)	→ 2 September

## 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 an 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 overtime 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 our key focus areas for our CSR 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 CSR staff when our CoC and FWF's Code of Labour Practices are not being adhered to.

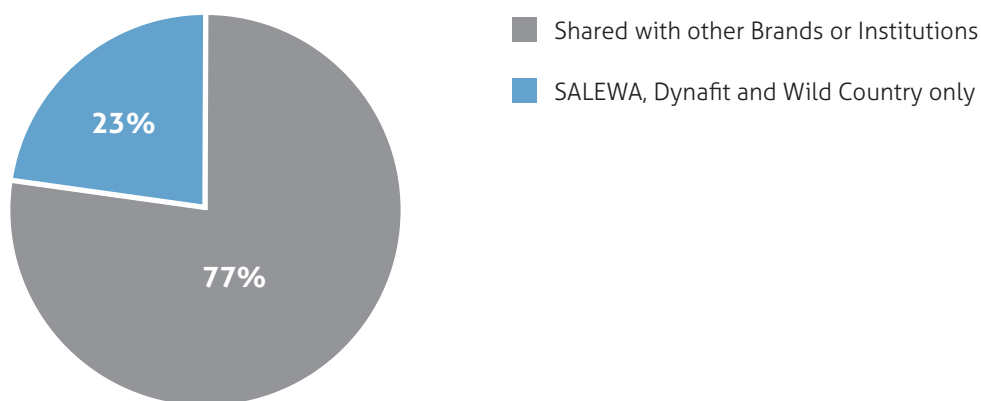
We monitor the implementation of our Code of Conduct (CoC) and Fair Wear Foundation's Code of Labour Practices in all of our factories in four primary ways:

**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 2017, **77%** 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
- Provide Worker Information Cards in the local language, which is essentially the WIS in a smaller form providing more discretion for workers who would like to learn more about FWF or make a complaint using the FWF hotline
- 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 their 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 5 worker trainings in 2017 (see section 6.2)**

› **Since 2015 we have conducted 12 worker trainings in factories in Bangladesh, China, Ethiopia, Myanmar, Romania, Vietnam**

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

Country	Number of production facilities	Audited 2015-2017 and follow up through corrective action plan	Volume in the country covered with Audits and follow up
Vietnam	8	8	100%
China**	38	21	82%
Romania	3	2	99.8%
Bangladesh	6	6	100%
Indonesia	3	2	94%
Turkey	2	1	96%
Tunisia	1	1	100%
Myanmar	2	2	100%
Cambodia	1	1	100%
Ethiopia	1	1	100%
Taiwan	1	1	100%
Moldova	2	2	100%

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 1.3% of our FOB volume with audits carried out by our Quality Management team in another 6 factories, totaling 27 factories and 83%.



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 2017, **16%** of our **total FOB volume** was produced in **Low Risk Countries**

Factory country	Number of factories	Production share
Italy	12	12,6%
Lithuania	2	2,0%
Switzerland	1	1,2%
Czech Republic	3	1,1%
Germany	2	0,3%
Austria	3	0,3%
Slovakia	1	0,2%
UK	2	0,1%
Slovenia	1	0,1%

In 2017, between **low risk and audited** factories we covered **97%** of our **FOB value.**

## Ongoing challenges

Over the last four years of our work with FWF we have seen considerable momentum, and while we have seen notable improvements on all fronts, some pervasive issues still remain. We believe the real strength of our work lies in the development of a stronger and more effective dialogue with our factories, yet this is an on-going and gradual process.

One of the most significant challenges for us has been and 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 we 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 require a comprehensive overview of the costs of living relative to each of our factory locations. Regarding our efforts to address excessive overtime, after delving into the core of our production planning to provide our factories forecasts well in advance and ample lead times to fulfill all orders (see chart above), overtime is still found in audits. On both issues, we recognize the need to go beyond our internal efforts and are working to accomplish a root-cause analysis by going deeper into details about our per-piece pricing, and maintaining an on-going a discussion with factory management.



Photo: Factory 3919 in Vietnam

## Audit findings – 2017

Organized according to production volume (greatest to smallest), the following section provides an in-depth and country specific analysis.

### Vietnam

In recent years, Vietnam has become an important country for the production of outdoor apparel, particularly for footwear. It is also particularly important in terms of our own supply chain. In 2017, having produced in only 8 factories, this impressively made up nearly half of our total FOB, at 36,93%. Over the last few years, we have managed to cover the whole of this volume in our factory monitoring.

There has been significant headway made regarding wages in the country, with a recent increase in minimum wage levels between €98-141 / month. However, wages are found to still be below that of a living wage, excessive overtime is still chronic, and workers remain unaware of their rights to collective bargaining and wage negotiations.

In the production facilities we audited in 2017, we were happy to encounter a number of improvements. In two facilities there were no cases of excessive overtime, and in one of those facilities there was no Sunday work. In one factory workers were found to have an increased awareness of their rights, benefits, and the FWF CoLP and complaints mechanism. Likewise, one factory stopped the use of seasonal workers.

There are a number of other issues that remain, however. For example, one factory has not provided any information to the workers about the FWF Code of Labour Practices, or relevant national or local legislation. Nor have they been notified about the internal grievance procedure, nor have they a safe and anonymous suggestion box been provided. Whereas, in one facility disciplinary practices do not comply with the local labor law (i.e. monetary fine, small mistake/big mistake are applied as forms of discipline). These findings have been discussed with factory management, they have agreed with the findings and have said they will work to integrate our suggestions into practice.

Finally, the overarching problems in all audited facilities pertain to general workplace health and safety. A lack of training (on the part of Managers and Supervisors; forklift, elevator, and air compressor operators and safety officers) was recognized in 3 out of 4 facilities. Likewise, safe chemical storage and handling was identified as a pervasive problem. Additionally, safety signage in the local language, and ergonomic and PPE was also

found to be missing in the majority of cases. As usual, factory management was notified of these findings, and the need to take action within a certain timeline. They have agreed with the findings and are now working to improve these very important health and safety issues.



Photo – Factory 3919 in Vietnam

## China

China remains the largest garment exporter in the world today. In 2017, it also remained our largest exporter in term of number of factories we worked, which totaled 38 factories and 19,42% of our FOB.

Dynamics in the Chinese garment sector have gone through some rapid and dramatic changes as of late with a growth in manufacturing expertise, and improvement in wages, employment laws and overall working conditions. However, despite these broad changes, there still issues with excessive overtime and unreliable wages (further aggravated with double-record keeping and a lack of transparency from the factories), freedom of association and collective bargaining prevail.

An issue of fragmented supply chain is particularly relevant for us in China, where our production is spread across many factories, some of them quite small, making our monitoring and remediation efforts challenging. Our long-term sourcing strategy to consolidate the supplier network remains in progress, which will surely help to ameliorate these issues.

**After sourcing in 73 factories in this country in 2015, the number of facilities went to 51 in 2016 and further down to 38 in 2017, a 25% reduction.** Even though we continue to make progress in shrinking our supplier base, at 33 we are still far from our goal, and our efforts continue to effect change where possible. 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 very large 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 6 factories making up a total 1,3% of our FOB. In agreement with FWF, our QC team conducted 'Basic Health and Safety' checks with our internal auditing system and we made a close follow-up of the findings we encountered. As for usual due diligence regarding overtime and wages, these factories were also covered because they entered our due diligence procedures, whereby the "per-item" negotiated prices with our suppliers allow for reasonable times and wages to be paid. This year's audits revealed the same consistent trends as in previous years. While in one production location an improvement regarding excessive overtime and consistent pay for regular working hours, overtime, and statutory holidays occurred, the general trend remains quite the opposite. More common were

incidents of excessive overtime in both hours worked per day, and the consecutive number of working days, which were compounded with inconsistent internal record-keeping and tracking of working hours resulting in issues of transparency around pay and wage accuracy. Also, likely influenced by the Hukou System (the Chinese household register system), social security benefits were found to be inconsistently paid to all employees. 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 indicated 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 were found across all those audited. These findings include: lack of ergonomic work stations, missing protective equipment, some hygiene issues (food quality and cleanliness of bathrooms), sanitary drinking conditions, potential fire safety hazards, poor indoor environmental quality, and improper chemical storage. We are happy to report that in 4 out of 5 cases improvement of these issues quickly took place, within a few months. Whereas, with the other factory we are currently waiting for feedback from the factory.



Photo – Factory 9725 in China

## 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 6,9% of our FOB spread into 6 factories. Regardless of its lack of relative economic weight in our overall dealings, it remained 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 subcontracting, and general absence of union organization and a healthy social dialogue.



Photo – Line fire fighter in factory 5843 in Bangladesh

*We continued to take our monitoring and remediation very seriously, and our audits (new or continued) covered 100% of the facilities where our products are made.* Of the 6 factories we sourced at, only one was new and it was one of our existing partner's choice to allocate our production there. We carefully screened the potential factory, and conducted regular checkups on those pre-existing ones. Fire and infrastructure safety, addressing violence against women, and assessing the root causes of low wages were, as before, among our top priorities.

We carried out a FWF audit in the factory where we are sourcing the largest part of our volume, and unfortunately found issues of excessive overtime, and non-transparent wage records. We are maintaining a direct dialogue with factory management to understand the root-cause of overtime and identify if we can adjust our planning and timing to aid the factory in making improvements. However, to be able to effectively solve this, we need overall transparency, so we can balance our own production planning costing and needs with theirs.

Another key finding from the audit was an issue of lack of information from factory management on workers' rights. From the FWF Code of Labour Practices, to general awareness of the factory's anti-harassment policy, workers were generally uninformed. This led us to decide to hold a Worker Education Programme in our main factory in this country. Furthermore, we continue to work with the factory's management to improve their anonymous internal grievance systems and to align the internal anti-harassment policy with local legislation.

Lastly, fire safety problems were identified. *Our factories in Bangladesh are all part of the Accord and therefore, committed to improving health and safety in their facilities. They are all working on the Corrective Action Plans (CAP) issued by the Accord auditors and have made notable progress,* working closely with local building engineers to make the appropriate adjustments, and while progress has been made some points remain outstanding. We continue to monitor the status of these updates, and our production locations' continual commitment to Accord requirements. Internally, we maintain records about updates on the suspension, termination or positive results in CAP resolutions from Accord members and the "Alliance for Bangladesh Worker Safety", and also closely follow news events in the country.

## ACCORD on Fire and Building Safety in Bangladesh

It is our own strict company policy that we produce with companies that are members of the Accord on Fire and Building Safety in Bangladesh, or can provide sufficient evidence of independent measures to ensure fire and infrastructure safety. Furthermore, before starting production at any facility in Bangladesh, beyond existing audits, our QC team makes an in-person visit to personally assess current working conditions and fire safety standards.

### This agreement consists of six key components:

1. A five year legally binding agreement between brands and trade unions to ensure a safe working environment in the Bangladeshi RMG industry
2. An independent inspection program supported by brands in which workers and trade unions are involved
3. Public disclosure of all factories, inspection reports and corrective action plans (CAP)
4. A commitment by signatory brands to ensure sufficient funds are available for remediation and to maintain sourcing relationships
5. Democratically elected health and safety committees in all factories to identify and act on health and safety risks
6. Worker empowerment through an extensive training program, complaints mechanism and right to refuse unsafe work.



Photo – Factory 58430 in Bangladesh



## Myanmar

Up until 2012, production in Myanmar was strictly prohibited by FWF. Today, even though the country has been democratized it remains an area of high concern with production permitted only when it is in accordance with a strict 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.

Our production volume remained small in Myanmar, making up a mere 0,49% of our total FOB in only 2 factories, both from the same supplier. This single business partner owns three factories. In 2016 our products were all made in one factory, and in 2017, this supplier proposed to allocate some of our products in another one of his facilities. Before we consented to this, due diligence was carried out the same as in all other countries and potential factories, with the enactment of our policy requiring commitment to our Code of Conduct and FWF's CoLP. Regarding audits, apart from any existing third-party audits, our QC team and our Sourcing Director made a visit and own assessment of the facilities. Additionally, we carried out an audit on the facilities with FWF.

These social audits have been a key part of our continuing work in Myanmar to beginning dialogue and ensuring that working conditions continue to improve. As part of the process, *ever since we began sourcing in Myanmar we actively and personally engaged with the ownership and the human resources department of our business partner to build the basis for constructive social dialogue.*

Beginning in 2015, a full social audit helped us to identify problems presented by the organization of the factory, which could hinder effective dialogue and improvements on the implementation of workers' rights (see our 2015 Social Report). It also showed us there were issues regarding Union Rights and collective bargaining. These became a fundamental part of our work in 2016 (See 2016 Social Report), in terms of dialogue with the supplier and integral to our on-going CAPs to make consistent and long-term changes. In 2017 we continued to stress the importance of consulting or informing the Union re-

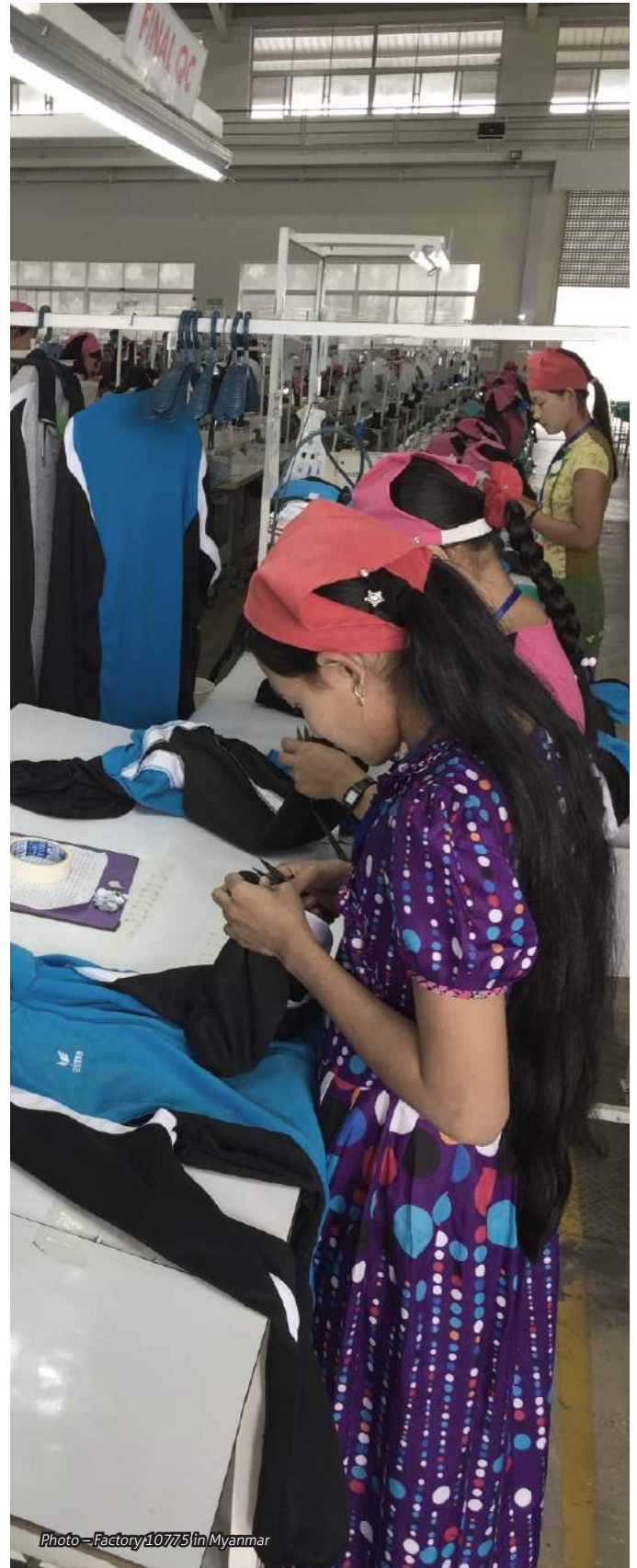


Photo – Factory 10775 in Myanmar

garding all decisions that could affect the workers directly and organizing trainings to improve rights awareness and healthy social dialogue. We held a Worker Education Programme (WEP) at the new production location (described in detail in section 6.2 below) and invited the factory to participate in seminars on inter-cultural dialogue.

In 2016 we had already realized that there were internal conflict situations between the workers (Burmese) and middle management (mainly Chinese) based on cultural differences, and invited the Human Resources team to take part in a training programme organized by SMART on cross-cultural communication. After the good feedback on all parts, we decided to organize a broader one, which would involve all middle-management and quality control staff in the factory for the following year.

The need for this was confirmed during the audit we carried out in the new facility at the beginning of 2017, where one of the sewing workers complained about being verbally and physically abused by her Chinese supervisor. This incident was taken very seriously by both us and the factory management. After internal investigations and checking with witnesses, the factory management stressed that abuse would not be tolerated in any form. It demanded that the manager apologize to the worker, and the worker was grateful. Immediate disciplinary action was taken and the factory pledged to provide trainings to managerial staff. We therefore suggested that all the middle

management take part in a training provided by Smart Myanmar on inter-cultural communication and also a training course was given to supervisors regarding appropriate modes of disciplinary action. Additionally, CCTVs were installed for monitoring and as a means to gather evidence.

We are continuing work on issues regarding the functioning of the workers Union, and on the general lack of awareness of the rights to collective bargaining.

As far as wages are concerned, the audit we conducted in 2017 showed them to be above the legal minimum wage, with good chances of being higher due to the benefits and bonuses (attendance, incentives, seniority) and due compensation paid according to local laws for overtime during the workweek at double (200%) the hourly rate, as per the legal provisions.

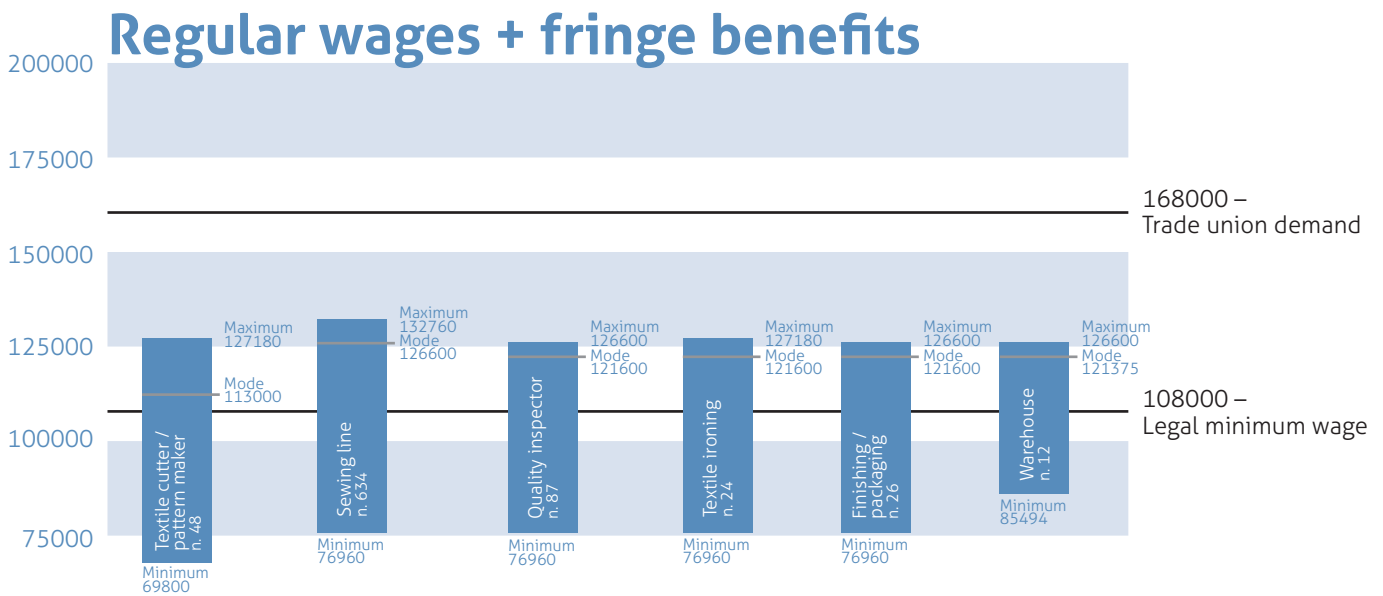
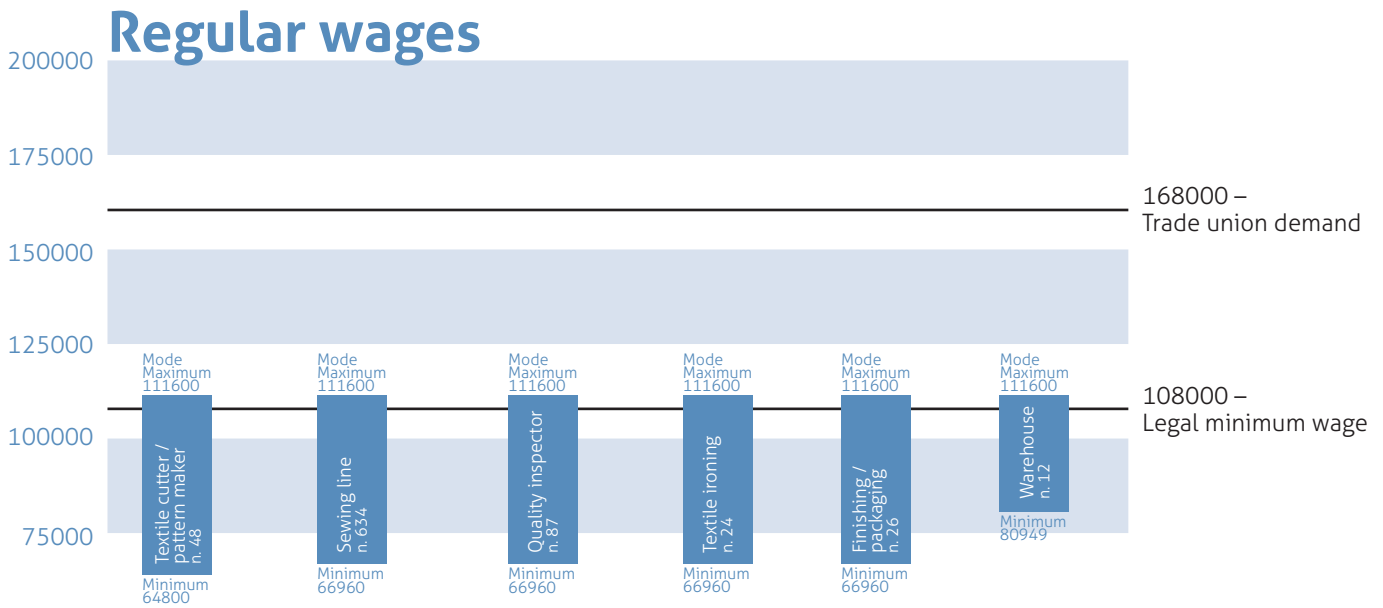
---

### Living Wage Ladder

The wage ladder is a benchmarking tool used to visualize wages in a particular factory in relation national or regional wage standards. It's intention is to effectively communicate discrepancies in wages, and enable the transition towards the payment of living wages.

The wage ladder shown below shows differences in wages based on various departments. It also shows the difference between the highest and lowest paid employees, as well as, the level of pay that is most occurring (the mode wage).





One issue we deepened our work in was wages to workers on probation periods. Burmese Law allows for wages paid during traineeship and probationary periods to be below the standard Legal Minimum Wage. This was found in the audit and not deemed a problem, but can become one when workers are set in traineeship or probationary programmes irregularly and as a means to make their wages lower. This can happen when traineeship periods are extended beyond the terms given by

the Law, or when workers are artificially treated as newly appointed and therefore on probation period, for example, after returning from holiday or from sick leave. We identified this already in our first audits in 2015, delved into it in 2016 and consistently worked together with the supplier in making sure that these sorts of manipulation be avoided. We are maintaining an on-going conversation with factory management on both these issues.

### Taiwan

For cut and sewn goods we produced only in 1 factory in Taiwan in 2017, which made up 0, 09% of our total FOB. We follow up on this factory in collaboration within a group of 7 brands, and during this year's re-audit, some relevant labor rights issues were identified.

One of the key issues found was a recruitment fee applied to migrant workers. It was later confirmed that the employer is in fact paying the recruitment fee and that the responsibility is not borne on 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 to address all these potential hazards and fixed most issues immediately.

## The FWF complaints procedure

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

In 2017, we dealt with six formal complaints made via the FWF hotline. The brief descriptions below provide an overview of the complaint, how it was handled, and its ultimate resolution. Additional to remediation of the single cases, we work with the supplier to prevent similar cases from occurring in the future.

---

### Complaint #1

**10, 12, 14 March 2016**

#### Factory 5445: Turkey

Even though filed in 2016, this complaint was finally closed 5 April 2017, and is the reason for it being included in this year's report.

After a monitoring audit took place, three separate workers filed each separate complaints, which in the end were handled collectively, and included in a single report. The complaints were as follows: the first complainant claimed that the FWF Code of Labour Practices (CoLP) had been removed from the wall; the second complainant noted that the knitting department was given a raise, whereas the sewing workers were not. The same worker complained about verbal abuses by the line supervisors; and the third complainant claimed that overtime work was compulsory, equating to work until 20:30 on weekdays, as well as work on Saturdays. The complaints were found admissible, and were considered relevant to the FWF CoLPs **#2 'No discrimination in employment'** and **#6 'Reasonable hours of work.'**

We do not have a direct relationship with the factory, but deal through an intermediary who sources there for other brands. With his help, we followed up on the complaints with the supplier. Unfortunately, despite efforts we were unable to remediate the complaints according to the normal procedure and engage in preventive action. We only had the confirmation from the

factory that issues had been remediated and that they would accept further auditing for verification but none was effected. This occurred due to the fact that around the same time and unbeknownst to us, our intermediary decided to end cooperation with the factory, which resulted in the factory's unwillingness to participate in a dialogue and eventually address the problems identified.

---

### Complaint #2

#### Factory 10775: Myanmar

**16 August 2016**

Even though filed in 2016, this complaint was finally closed on 11 July 2017, and is the reason for it being included in this year's report.

The Confederation of Trade Unions of Myanmar (CTUM) filed this complaint on behalf of a worker who felt they had been wrongly terminated. Related to a prior complaint from earlier in 2016, this worker was part of a group who had been previously terminated and then reinstated. However, this worker was once again terminated on the grounds that they did not abide by the new terms of their employment. It was stated that upon reinstatement the factory had the freedom to assign the workers where they were needed. The complainant did not want to work where they were ultimately assigned, in the sample room. As a result, the complainant spent three weeks refusing to work and was, over the course of this period, given four warnings. The complainant refused to sign and accept these warnings, and was ultimately once again terminated on 20 June 2016 for lack of compliance.

The complainant felt that their termination was unjust, and mostly fueled by their union membership, which was considered by FWF to be a violation of CoLPs **#4 'Freedom of association and the right to collective bargaining'** and **#8 'A legally binding employment relationship.'** With the help of the CTUM, the worker formally filed their complaint with the Arbitration body, who ruled that the factory must accept the worker back with full back pay. The factory did not agree with the ruling and appealed this decision to the Arbitration Council, who once

again ruled in favor of reinstating the worker with full compensation. Once again the factory disagreed with the ruling, and appealed the case to the Supreme Court.

As a means to finally arrive at a joint solution, on 18 November 2016, FWF facilitated a meeting between the factory, CTUM, and the complainant. The meeting was considered to have taken place in a positive and constructive atmosphere. At the end, the factory outlined specific terms for the reinstatement of the worker. Ultimately the worker and CTUM did not agree to the terms of the reinstatement, mostly that the complainant should sign and acknowledge all previous warnings that would then be kept on record.

As a response to this, FWF and FWF brands (including ourselves) contacted the factory directly prompting the factory to recognize the faults on both sides and to dismiss its request to require the worker to sign and accept previous warnings. The factory refused to compromise on this point.

In January 2017, the factory was informed that the Labor Department was going to take action against the factory for its refusal to recognize the previous rulings from the Arbitration Council. Following the court hearing, the court ruled that the factory had to pay a fine, as well as compensation to the worker.

In the end, the factory made the payment and the worker accepted the compensation and decided not to pursue further action. Ever since we were aware of problems at this factory due to dismissals and the lack of guarantees and procedures for Union action and negotiation, we have engaged in positive and effective dialogue with management. We were thus able to clarify the facts, ideate solutions and make sure that these situations do not occur in the future.

---

### Complaint #3

1 March 2017

#### Factory 9788: China

The complainant had requested time off (24-28 November of the previous year) for personal reasons. Even though management denied this request, she took the time off and when she returned to work was informed that her working contract had been terminated.

As a result of the complainant's absence the factory hired a temporary worker to take over their responsibilities who was paid 250 RMB/day which was to be deducted from the complainant's wages. When the complaint was filed, the employee had not been paid wages for the month of October, and was unsure of the wages they were owed for the 1-23 November, thus violating CoLP **#5 'Payment of a Living Wage.'**

The case was found admissible, and was brought to the attention of the supplier. After which, with the complainant was able to reach an accord with the factory management, and was ultimately reinstated and paid their back wages. As a way of preventive action, we wanted to make sure that workers were duly informed on the grounds for termination of their contracts. We therefore requested the supplier to send us a copy of the standard working contract and general information on whether these rules were publicized in the factory in any form. Upon checking the text and being made aware that the dismissal clause was very general (making reference to compliance on Law only) and that there was no other means of communication to the workers, we requested the supplier to add a specific term on the standard contract and in the factory rules which are posted in the building.

---

### Complaint #4

8 March 2017

#### Factory 9790: Vietnam

The complainant, a current employee, accused their employer of not accepting their termination request. Following the mandatory protocol, the complainant filed their termination request 45 days before the end of their contract, and after numerous attempts the management did not approve the request. This incident was considered ultimately considered admissible falling under the FWF CoLP **#1 'Employment is freely chosen.'**

Unfortunately, before the remediation of this complaint was concluded the supplier chose to end their collaboration with us. As a result, we tried to locate another brand producing at this location so that could take over the follow up of the complaint to no avail. Ultimately, the complaint was declared inadmissible due the change in our relationship status, and was unable to be resolved.

## Complaint #5

26 April 2017

### Factory 10775: Myanmar

The complainant felt she was being unjustly targeted, having received two warnings over the course of three months, due to the fact that she had revealed information to the auditor during a previous FWF audit. She complained about being accused of fabric theft, even though the items had been relocated by the responsible person, and then given another warning for talking to a line leader from another line.

The factory management was notified of this incident and given the opportunity to provide their perspective of the situation. They investigated the matter and deemed the accusations of the worker being victim of targeted discrimination, in violation of CoLP #2 *'No discrimination in employment' unfounded since there were incongruences in her story, with the incident of fabric theft having happened far in advance of the time she stated as well as far in advance of the FWF audit.*

As regards to the alleged actions of line leader, the factory stressed their "zero tolerance" with regard to physical abuse. Regarding verbal abuse, it pledged to train the staff on adequate disciplinary measures and mechanisms, and accepted our proposal to provide HR, Staff Management and middle management staff training courses to assist them in improving their managerial skills, and especially . Likewise, they chose to install CCTV throughout the factory in order to have evidence if and when disputes such as these should arise in the future.

Overall, the ultimate aim was to find an accord among all parties involved, and to improve the situation with the long-term in mind. In the end, we were satisfied with how the complaint was handled and with the preventive approach taken.

---

## Complaint #6

11 July 2017

### Factory 5311: Myanmar

On behalf of a worker, a union leader filed this complaint. This incident was found admissible considered to be in violation

with CoLP #8 *'Legally binding employment relation'.*

Back in 2015, in response to a national wage increase the factory unjustly let go 203 workers. The worker under question in this case was one of the employees previously let go, who was then rehired in 2017. It was then discovered that this employee upon their initial hiring had used false documentation and had in fact been under age, which is the primary impetus for their termination. It was also stated that a second reason for terminating the worker was because it was the factory's general policy to not rehire workers.

The incident was reported to FWF during an audit where they also disclosed the factory management had also threatened to fire worker's mother (also an employee), if the worker under question did not accept immediate termination. The factory management denied these allegations, and also denied the existence of a policy to not re-hire workers. They also claimed the reason for termination had more to do with not being able to trust the employee due to their previous deceit.

There were a series of emails exchanged between ourselves, factory management, and the FWF country expert in order to reveal the truths surrounding this event. Ultimately, we contacted the factory management directly by phone as a means to get the worker reinstated, feeling that the worker had been unjustly terminated not just one, but two times.

Ultimately, the factory management agreed to the reinstatement of the worker upon the receipt of legitimate and verified documentation confirming the worker's age and identity. In the end, we are very pleased with this outcome. We also feel very positive about the constructive, open, and honest conversation had with factory management and their willingness to arrive at the best solution for all.

## Activities to Inform Staff Members

Our social compliance work also includes internal initiatives. Our work 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 Meeting our CSR 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 in-

tegral 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 CSR 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 CSR 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. Finally, we ensure all of our production partners -- whether they are agents, intermediaries, or factories -- are aware of and committed to our CoC, and FWFs 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.

## 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. The 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 5 different types of trainings. The following section details the worker education programmes organized this year as well as their outcomes.

---

### Training #1

**10 February 2017**

**Turkey**

**Type of training: Seminar 'Building sustainable garment supply chains and communication between stakeholders'**

As of late, the Turkish garment industry has been suffering from an increase in unregistered workers and the use of child labour, which has also been compounded with the Syrian refugee crisis. Consequently, many brands have decided to decrease their orders, or stop production in Turkey all together.

For this reason, it is urgent that brands, suppliers, governments, and other actors work together to find sustainable solutions to these issues. This seminar was designed to do just that – to provide a safe space for factory management, worker representatives, and FWF brand participants to learn from one another. The aim was to highlight issues, propose measures, share challenges, and best practices to improve working conditions and find sustainable solutions to these issues. These results were then shared with Dutch and Turkish governments, and international organizations to create guiding measure for the formulation of effective legislation.

Our most relevant supplier in Turkey accepted the invitation, and sent the individual responsible for sustainability issues to participate in the training session.



## Training #2

24 February 2017

### Vietnam

#### Type of training: FWF overview

The goal of this training was to inform local Vietnamese staff (quality control (QC), CSR, or agents) about FWF's approach and its monitoring and remediation requirements. It was aimed at making staff better equipped to assess labour standards and how to integrate them into due diligence processes when selecting new suppliers, and enable them to effectively follow-up on Corrective Action Plans after an audit.

A member from our local QC team participated in the training, who reported back that the training was really informative and a great opportunity to network and connect with others. They also took the opportunity to review our CoC with FWF staff.

## Training #3

10 – 11 March 2017

### Factory 4568: Vietnam

#### Type of training: FWF WEP

This training was an extension of a previous training, as a means to involve more workers. This WEP covered an introduction to FWF, information about what a decent and productive workplace should be, worker management and internal grievance mechanism, external grievance mechanisms, and FWF complaint mechanism.

163 workers attended the training, and when asked 100% of the participants evaluated the training as 'Good' or 'Very Good'. In general, participants were engaged with the training, and the training atmosphere was friendly.

The post-training evaluation results indicate that participants walked away with a true understanding of the topics covered. Eleven out of the 60 evaluation forms returned indicated they have already taken action to elect workers representatives. Whereas, 13 others indicate they are willing to facilitate the democratic election of worker representatives.

Ten out of 60 participants indicate they want to improve the dialogue and grievance system, with 8 out of 60 participants

expressing a desire to improve wages and benefits, 6 out of 60 wanting to improve on wages and benefits, and 5 out of 60 indicating they would like to focus on improving working hours.

In the case of a complaint, the majority of respondents (37/60) indicated they would talk directly to the complainant. Whereas, 22 out of 60 indicated they would pass along the complaint to HR, 12 out of 60 indicated they would inform the labor Union, and 9 out of 60 said they would file their complaint via the FWF hotline.

## Training #4

18 November 2017

### Factory 10775: Myanmar

#### Type of training: Seminar 'Age Verification'

During an audit held at this factory in 2017, it was brought to our attention that a number of fake IDs had been used during the hiring process, which resulted in the hiring of one worker, 15 years of age, and six other workers 16-17 years of age. In response to this finding, and increased awareness that the use of fake documentation is a pervasive problem in Myanmar, it was decided to organize an Age Verification Seminar.

In November, we organized an Age Verification WEP. While the hiring of workers aged 14 years of older is permitted by local legislation within certain guidelines, (please see table below), the factory policy is to hire no one under the age of 18. They do their due diligence asking for 3 forms of identification as part of the hiring process, unfortunately the pervasiveness of fake ID use is widespread. The Age Verification WEP, aimed to help the staff identify not only fake documentation but also identify a candidate's age with a series of age verifying questions. Importantly, the training also helps management create a remediation strategy that takes into consideration compensation paid to the family, and to ensure the child's overall welfare.

This seminar was designed primarily for HR and management staff. Focusing on raising awareness about FWFs child labour and remediation policy, as well as strategies to set up a more robust and effective Age Verification System attendees took part in a 4 hour session. The 31 participants showed active engagement throughout the training in both interactive discussions and experiential learning.

## Relevant Legislation in Myanmar and MGMA Guideline

Source	Age (years)	How to interpret value / information
Factory Act (1951) *revised January 2016	Minimum age: 14	<ul style="list-style-type: none"> <li>• Medical certificate of fitness required</li> <li>• Prohibited from cleaning, lubricating, or adjusting machinery while machine is in motion</li> </ul>
	14 – 18	<ul style="list-style-type: none"> <li>• Prohibited from being employed in factory where cotton opener is at work</li> <li>• Prohibited from lifting, carrying, or moving heavy loads likely to cause injury</li> </ul>
	14 – 16	<ul style="list-style-type: none"> <li>• Maximum of 4 hours/day</li> <li>• No work between 6 p.m. and 6 a.m.</li> <li>• Only two shifts allowed: no overlap, only one factory</li> <li>• Work on Sundays prohibited</li> </ul>
	16 - 18	<ul style="list-style-type: none"> <li>• Can work as an audit if in possession of medical certificate (conditions listed above for 14 -18 still apply)</li> <li>• If not, must also work under restrictions for those aged 14-16</li> </ul>
Shops and Establishments Act (1951) *revised January 2016	Minimum age: 14 14 - 16	<ul style="list-style-type: none"> <li>• Maximum of 4 hours / day with 30 minutes rest each day</li> <li>• No work between 6 p.m. 6 a.m.</li> <li>• Must have at least one rest day per week, no particular day specified</li> </ul>
	14 - 18	<ul style="list-style-type: none"> <li>• Prohibited from working unless in possession of a medical certificate proving fitness to do so</li> <li>• Not allowed to work in hazardous conditions of work which are specifically identified (see also note below)</li> </ul>
Child Law (1993) *currently under revision	Not defined	<ul style="list-style-type: none"> <li>• Childhood ends at age 16: Youth defined as 16 - 18</li> </ul>
MGMA Code of Conduct (2015)	Minimum age: 15	<ul style="list-style-type: none"> <li>• Where underage workers are already employed or discovered companies should strive to support reasonable remediation measures that promote social integration of children and enable them to enroll in school or alternative education programs</li> </ul>

Source: Age Verification Myanmar – FWF Guidance



Source: Age Verification Myanmar – FWF Guidance

## Training #5

10 December 2017

Factory 5843: Bangladesh

**Type of training: Anti-harassment Committee and Violence Prevention Capacity Building**

The training focuses on the establishment and support of an internal anti-harassment committee. It provides information on the FWF CoLP, and also shares a general awareness of violence and harassment against women. The training was held in two separate, 5 hour sessions – one with workers and another with management staff. In the end 34 workers (24 female, and 10 male), and 30 from management attending the training.

The key achievements unanimous to both trainings were: the majority (at least 70%) of the participants said they came away with an increased knowledge about violence against women; top factory managers agreed with the statement of “Business Alliance to End Violence against Women”; top factory management agreed to take part in the line chief training and workers

training; and participants found the training to be very interesting and essential for overall workplace development. It was agreed upon, that decent working conditions depend on good working relations and communication, and that this type of environment is actually what is desired.

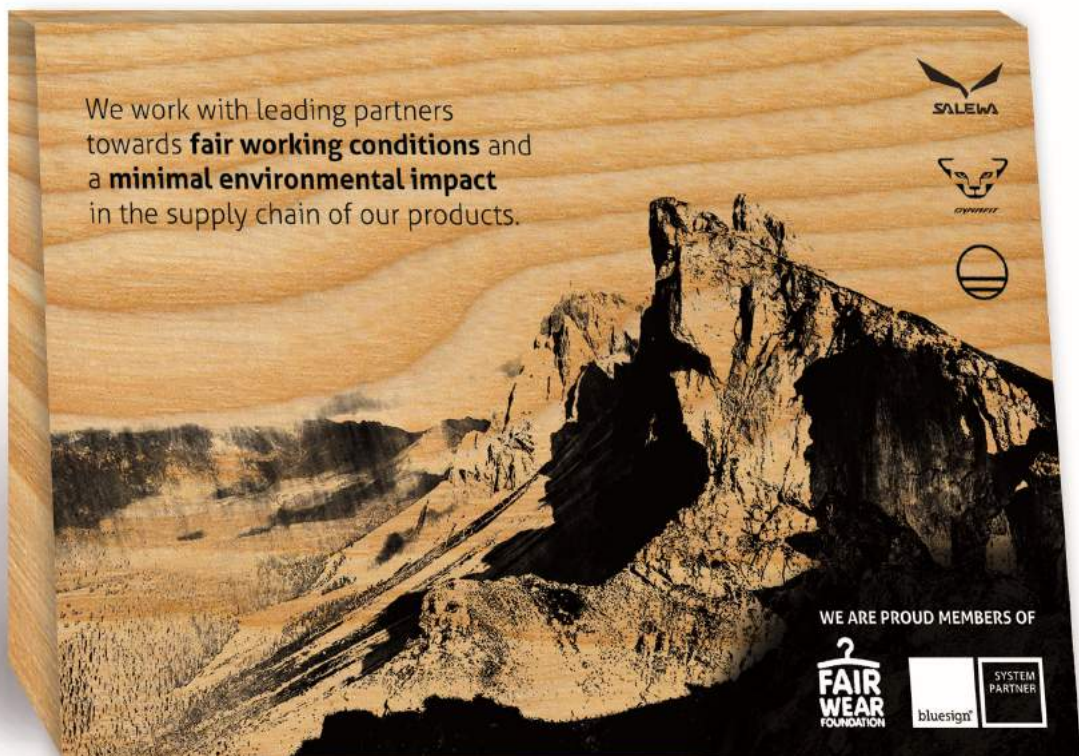
One negative point worth mentioning, is that participating factory management were found to interfere with the training. They kept interrupting the trainers with their own opinions on what and how to do things, and also tried to hurry along the session. It was also pointed out by both workers and management that 5 hours is far too long for the training, and acted as a barrier for more participants to join.

## 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

SOCIAL REPORT 2017  
SALEWA – DYNAFIT – WILD COUNTRY

(In alphabetical order)

## Austria

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP/ Training
4570	2007	apparel	Salewa / Dynafit	0,04%	N/A	N/A

## Bangladesh

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5843	2014	apparel	Salewa / Dynafit	6,24%	BSCI 2016 FWF 2017	
5766	2014	apparel	Salewa	0,06%	BSCI 2015	
9877	2016	apparel	Salewa	0,06%	BSCI 2016	
9686	2015	apparel	Dynafit	0,05%	BSCI 2016	
6909	2016	apparel	Salewa	0,41%	BSCI 2017	
12116	2017	apparel	Salewa	0,09%	BSCI 2016	

## Cambodia

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
7218	2015	footwear/ equipment	Salewa	1,03%	Sumations 2016	

## China

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
3267	2002	footwear / equipment	Salewa / Dynafit	0,72%	FWF 2016	2013
5023	2014	footwear / equipment	Salewa	0,71%	FWF 2015	
5427	2006	footwear / equipment	Salewa	0,05%	FWF 2017	2016
5433	2012	footwear / equipment	Salewa	0,77%	FWF 2015	
11120	2009	apparel	Dynafit	0,01%	N/A	
5610	2010	apparel	Salewa	0,01%	BSCI 2015	
5510	2012	apparel	Salewa / Dynafit	0,02%	BSCI 2015	
7261	2014	apparel	Salewa	0,03%	N/A	
5448	2009	apparel	Salewa / Dynafit	0,06%	N/A	
4881	2017	apparel	Salewa / Dynafit	0,06%	BSCI 2015	
7689	2013	apparel	Salewa	0,08%	N/A	
9787	2015	apparel	Salewa	0,09%	Tail-end require- ments	
9788	2015	apparel	Salewa	0,11%	FWF 2016	

## ANNEX – FULL FACTORY LIST

SOCIAL REPORT 2017  
SALEWA – DYNAFIT – WILD COUNTRY

(In alphabetical order)

9756	2014	apparel	Salewa	0,11%	N /A	
7249	2011	apparel	Salewa / Dynafit	0,11%	N /A	
8326	2015	apparel	Salewa	0,78%	FWF 2016	
9794	2015	apparel	Salewa	0,14%	Tail-end requirements	
6115	2015	apparel	Salewa / Dynafit / Wild Country	0,15%	WRAP 2018	
6225	2015	apparel	Salewa / Dynafit	0,17%	Tail-end requirements	
5450	2013	apparel	Salewa	0,20%	FWF 2016	
12119	2014	apparel	Salewa	0,23%	Tail-end requirements	
9880	2016	apparel	Salewa	0,25%	Tail-end requirements	
7212	2014	apparel	Salewa / Wild Country	0,26%	N/A	
7391	2014	apparel	Salewa	0,27%	FWF 2015	
6768	2014	apparel	Salewa	0,30%	N/A	
9731	2013	apparel	Salewa	0,31%	N/A	
12093	2016	apparel	Salewa	0,35%	BSCI 2016	
9792	2015	apparel	Salewa	0,35%	FWF 2017	
7260	2014	apparel	Salewa	0,40%	Tail-end requirements	
12115	2017	apparel	Salewa	0,47%	N/A	
9876	2016	apparel	Salewa	0,48%	BSCI 2015	
9753	2014	apparel	Salewa	0,48%	N/A	
5839	2008	apparel	Salewa	0,54%	FWF 2016	2014
11699	2011	apparel	Salewa / Dynafit	0,63%	FWF 2017	
5436	2010	apparel	Salewa / Dynafit	1,37%	BSCI 2016	
7823	2012	apparel	Salewa	2,49%	FWF 2015	
9725	2015	apparel	Salewa / Wild Country	2,73%	FWF 2016	2016
5472	2011	apparel	Salewa / Dynafit	3,15%	Sumations 2017	

### Czech Republic

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5418	2009	technical hardware	Salewa	1,03%	N/A	N/A
12059	2017	technical hardware	Salewa	0,02%	N/A	N/A

# ANNEX – FULL FACTORY LIST

SOCIAL REPORT 2017  
SALEWA – DYNAFIT – WILD COUNTRY

(In alphabetical order)

## Germany

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
10427	2016	apparel	Salewa	0,01%	N/A	N/A

## Indonesia

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5520	2014	apparel	Salewa / Dynafit	1,00%	SAXA 2015	
5523	2014	apparel	Salewa / Dynafit	0,18%	BSCI 2015	
5515	2016	apparel	Salewa / Dynafit	0,08%	N/A	

## Italy

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5416	2005	footwear / equipment	Dynafit	9,84%	N/A	N/A
9682	2015	apparel	Salewa / Dynafit	1,26%	N/A	N/A
5459	2005	apparel	Salewa / Dynafit	0,30%	N/A	N/A
7254	2013	apparel	Salewa	0,05%	N/A	N/A
5058	2015	apparel	Salewa / Dynafit	0,04%	N/A	N/A
5451	2010	apparel	Salewa / Dynafit	0,15%	N/A	N/A
9729	2015	apparel	Salewa	0,03%	N/A	N/A
9728	2012	apparel	Dynafit	0,02%	N/A	N/A
9856	2016	technical hardware	Salewa	0,05%	N/A	N/A

## Lithuania

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5435	2011	apparel	Salewa / Dynafit	1,85%	N/A	N/A
3854	2011	apparel	Salewa / Dynafit	0,19%	N/A	N/A

## Myanmar

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5311	2014	apparel	Salewa	0,13%	Sumations 2015	2015
10775	2014	apparel	Salewa / Dynafit	0,35%	FWF 2017	2017



# ANNEX – FULL FACTORY LIST

SOCIAL REPORT 2017  
SALEWA – DYNAFIT – WILD COUNTRY

(In alphabetical order)

## Republic of Moldova

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
10429	2017	apparel	Dynafit	0,05%	N/A	N/A
12452	2017	apparel	Salewa / Dynafit	0,17%	N /A	N/A

## Romania

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
2708	2008	footwear / equipment	Salewa	16,31%	FWF 2015	2016
11122	2016	apparel	Salewa	0,03%	BSCI 2015	
12121	2017	apparel	Salewa	0,04%	N /A	

## Slovakia

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
9829	2014	technical hardware	Salewa	0,17%	N/A	N/A

## Slovenia

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
2959	2009	apparel	Dynafit	0,11%	N /A	N/A

## Switzerland

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5417	2007	skins	Dynafit	1,25%	N /A	N /A

## Taiwan

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
2997	2008	apparel	Salewa	0,09%	Feng Yi 2017	

## Tunisia

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
9879	2016	apparel	Salewa / Dynafit	0,84%	SA8000 2016	

## ANNEX – FULL FACTORY LIST

SOCIAL REPORT 2017  
SALEWA – DYNAFIT – WILD COUNTRY

(In alphabetical order)

### Turkey

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5445	2008	apparel	Salewa / Dynafit	0,02%	FWF 2016	
12118	2017	apparel	Salewa / Dynafit / Wild Country	0,96%	Intertek WCA 2016	
12460	2017	apparel	Salewa / Dynafit	0,04%	N/A	

### United Kingdom

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
12120	2017	apparel	Wild Country	0,02%	N/A	N/A

### Vietnam

FWF factory code	Partner since	Division	Brand	% FOB	Previous audit	WEP / Training
5414	2007	footwear / equipment	Salewa / Dynafit	18,59%	FWF 2016	2014
5645	2012	footwear / equipment	Salewa	7,15%	FWF 2017	
5421	2013	footwear / equipment	Salewa / Dynafit	1,26%	FWF 2017	2016
3919	2009	apparel	Salewa	4,86%	Sumations 2016 Sumations 2017	2015
7371	2014	apparel	Dynafit	3,13%	Sumations 2017	2015
4568	2013	apparel	Salewa	0,20%	FWF 2016	2017
9790	2015	apparel	Salewa / Dynafit	0,13%	BSCI 2016	
11333	2016	footwear / equipment	Salewa / Dynafit	1,05%	Better Work 2016	