

# Coronavirus: managing a crisis

In recent months there have been many challenges and difficulties, but we have never stopped. As the mountains have taught us: if conditions change and the obstacles grow in number, all we can do is react as quickly as possible. And that is exactly what we have done. We have taken on our responsibilities and decided to make collaboration our winning card so as to guarantee business continuity and limit the effects of the coronavirus. We did not feel the need to make any official declaration about the fact that we maintained all our previously agreed commitments with our suppliers or implemented measures to contain the virus. Too often, words and promises simply distract from the steps actually taken to manage a crisis. We are sailing in choppy waters, preparing to face the second wave of the virus by activating and intensifying all the actions that have allowed us to face the emergency once already. We have tried to counteract the effects as much as possible, both internally with our employees and externally with our suppliers and their staff.

## **Communication and transparency**

### ***What was communication like within the company?***

Before the lockdown, the ownership sent a video message to all employees to express solidarity and explain the changes that would be taking place. The onset of the pandemic caught us all off guard, but we did not want our employees to feel abandoned. The management published bulletins with periodic updates and has as far as possible tried to support Oberalp employees by encouraging them to prevent the spread of the virus, maintain a positive attitude and guarantee business continuity as much as possible.

From the moment the alarm was raised to the period following the lockdown, precise rules and clear indications on how to behave were communicated and regularly adapted to the ever-changing government directives. Not only at management level, but also at divisional level, communication was essential to ensure we overcame the crisis period. This was made possible thanks to the work of our IT division, which ensured the IT structure was ready for efficient working even from remote locations.

Despite the period of uncertainty, we wanted to continue with the production of all orders placed with suppliers. The daily updates between the Sustainability team and the Sourcing and Operations team now mean that the Group is in a position to manage the situation in the best possible way and be constantly informed on the closure or opening of factories and of any highly critical situations.

### ***What about communication with suppliers?***

In this moment, transparency is more important than ever before. To better manage this crisis, from the very beginning we adopted an approach based upon clear, rapid communication at all levels. We are also committed to maintaining a constant and open dialogue with our suppliers.

Since the beginning of the health emergency, communication with factories has rested on three pillars:

1. **Dialogue**: constant dialogue with factories so as to stay updated on the evolving situation.
2. **Stability**: 100% order maintenance. As yet, no cancellations have been made or are planned for placed and confirmed orders.
3. **Solidarity**: we have expressed our solidarity with all suppliers, asked them about any need for masks or help for preventive measures of any kind, all with the aim of preserving the health and safety of workers even in the period preceding the lockdown.

In addition to dialogue, in places where workers are most affected by closures, we have asked the factories there for more information and confirmation of their experiences and have made recommendations for particular or risky situations. Some suppliers have implemented safety

measures in an exemplary manner, introducing best practices that we have shared with other factories.

In others the attention has been less widespread. A check by one of our product quality inspectors found that the plant was not implementing all the safety measures necessary to contain the virus: two workers were not properly wearing their protective masks. The team immediately took action to ensure that the factory enforced the rules.

We are committed to ensuring that suppliers do not make rash decisions and that, in the event of a need to reduce the workforce, redundancy procedures are respected, and the due sums paid. We have paid particular attention to ensuring that employment contracts are not terminated with the emergency being used as an excuse. We have recommended that communication with workers on the measures to be taken is clear and that the trade union, where present, is involved as far as possible.

Employment continuity is an extremely important issue: we have often read about factories where there have been mass layoffs or wage cuts and we have therefore thoroughly checked that all our suppliers can guarantee compliance with the regulations governing payments. During the most critical phase of the pandemic, the factories that create more than 60% of the value that we purchase guaranteed that they did not foresee any financial difficulties, even for the future, and that they would therefore be able to maintain the same staffing levels.

Our work is not yet finished: we are maintaining the same policy of openness and communication and, if necessary, we will be carrying out even more thorough checks.

#### ***What was communication like with the outside world and NGOs?***

We are constantly updated on the status of suppliers and countries, with a particular focus on how governments are supporting or helping factories and how they are reacting, thus enabling us to make informed decisions. The Fair Wear Foundation, a non-profit organization of which we are members and which aims to improve working conditions in factories has, via their local teams, provided us with information on the changes in various countries and on possible areas of risk.

We have always collaborated with those NGOs that have asked us for clarification regarding our position in the management of the health emergency. We were among the first brands to respond to the Clean Clothes Campaign, which posted all the details [here](#).

#### ***And what about communication with our retailers?***

Resellers are the link between ourselves and the end customer. They are to be found in many different places and may be either large chains or small retailers who sell sportswear.

Regardless of location, size or financial strength, our partners have all suffered from the current uncertainties and the economic consequences of the pandemic.

We wanted to assist them as much as possible with continuous, clear and rapid communication: even before the official lockdown was implemented in Europe, we kept our partners updated on product availability and on any delivery delays, both of which were affected by closures in the respective production countries.

During the months of lockdown, most shops also had to close. To support them in this difficult phase we offered them greater flexibility in terms of payment as well as differing solutions as needed.

Another consequence of the closure concerns the potential loss in value of items still in store. End customers were unable to make purchases for most of the spring, so partners found themselves with more unsold goods than expected. Offering many new lines in next year's collection would force shopkeepers to sell off products that are considered outdated: to avoid such a loss of value we have decided that two of our brands, Salewa and Dynafit, which each season launch large collections in terms of styles and colours, will postpone many of the new products now in the pipeline. Between 75% -80% of the products in the spring-summer 2020 collections will still be current in 2021, so all the garments currently in store or in stock will not lose their value and it will not be necessary to sell them at a discounted price.

## **Supply chain**

### ***Have you cancelled any orders or deliveries of already produced orders?***

No orders have been cancelled since the start of the crisis. We have honoured our commitments to our suppliers, accepting fully completed orders and confirming those already in production.

### ***Have you requested any discount on orders?***

No, we have not asked for discounts of any kind and our business conditions remain unchanged. All invoices have been paid promptly according to prior agreements to ensure that our suppliers are also in a position to honour their commitments to third parties.

### ***How did you manage the predictable reduction in future orders?***

The climate of uncertainty and the rapid changes have made both short- and long-term planning very complex. Just think of the closures, the measures taken, or the restrictions announced the very night before their introduction. Clearly, these have been – and will continue to be – difficult times for all players in the supply chain. We are continuing with our activities and partnerships, and we are offering delivery flexibility to avoid the need for overtime. But we have also asked suppliers to be patient, as we will not be in a position to order large quantities anytime soon. The market will be saturated with stock and we will therefore be using less of their production capacity.

### ***Have any of the plants you work with closed as a result of the crisis?***

Up to now, no plants in our supply chain have closed: some are facing difficulties, but we are continuously monitoring the situation and helping as necessary.

### ***Do you have any information from your suppliers about salary payments or statutory sick pay?***

We have received confirmation from our suppliers that they will comply with local laws regarding staff payments. The Fair Wear Foundation notified us of two production sites that, according to their findings, were facing difficulty in paying their workers. We immediately contacted the suppliers to investigate and we established that the payment of salaries and allowances had not been suspended or reduced.

### ***How are the safety measures monitored and implemented in the various factories?***

All production plants have taken the necessary measures for the safety of their workers, such as medical screening at the entrance to production areas (temperature checks), refusal of entry to workers with symptoms, professional disinfection of the production site, increased social distancing, limited contact between staff, more means of transport for getting to work, provision of masks and additional handwashing facilities, and always in compliance with the instructions of the local health authorities.

## **In-house management, payments to employees, directors**

### ***How have government aid packages been used?***

From April to June we reduced the employee working hours in all branches of the Oberalp Group, trying to find a balance between the needs of employees and the company. In Italy we made use of the redundancy fund established by the government. We tried to ensure business continuity and the completion of active projects, assessing the needs and workloads of individual departments and distributing the number of working days and layoffs in different ways. We wanted to guarantee all employees – even those who had seen a larger reduction in working hours – a minimum gross monthly wage of € 1,300.

Furthermore, the Italian National Social Security Institution (INPS) planned to pay contributions to employees, but could not guarantee the timing. To minimize any decrease in monthly salaries, the company decided to pay the redundancy payments in advance to all affected

employees. These payments were then withheld from extra months' salaries (the "fourteenth month", paid in June, and the "thirteenth month", paid in December).

The same logic was applied in Germany and Austria using the "Kurzarbeit" scheme provided by the respective countries (from 6 April to 30 June). Following local rules, we topped up net pay to 80% by asking employees first to use up all their holidays from the previous year as well as all leave accrued up to 31 March.

Government aid was also taken into consideration in our other branches (Italy, Germany and Austria represent 85% of our workforce globally, so we are giving details for these countries here). In all countries, employees were given the opportunity of making partial use of holidays instead of redundancy funds so as to ensure a higher salary level.

***Did the directors take a pay cut?***

Yes, our top management voluntarily took a pay cut of 25% for three months.

**Employee safety and well-being**

***What safety measures have been put in place?***

We are following safety measures for the warehouse and offices as required by the current health crisis. Some workstations in the warehouse have been relocated in order to maintain safety distancing. In the most critical periods the warehouse worked two shifts and the floors were isolated so as to minimize the risk of contagion and guarantee continued operation of the warehouse even if positive cases were detected, as this is of fundamental importance for our company.

Office staff alternated between working from home and being physically present so as not to overcrowd spaces. Soaps and disinfectant gels have been made available in all departments and bathrooms. The canteen opening hours have been reorganized and, to limit numbers, only fourteen people are allowed to enter at any one time. New meeting rooms have been added, where it is mandatory to respect the maximum capacity of each and masks must always be worn. Body temperature is measured daily and admission is refused to any employees with symptoms. To minimize the potential for infection, neither couriers nor office staff are permitted access to the warehouse. Surgical masks are available in the meeting rooms and at the main entrance to our headquarters.

Each employee has received a letter containing five washable and reusable fabric masks. On 13 May, our Italian branch in Montebelluna was inspected by SPISAL, the Italian Occupational Health and Safety Service. After a thorough check for compliance with all rules, the inspection was completed with full marks.

***Was further help offered to employees with families?***

As per local social security regulations, optional parental leave for Covid-19 was made available, providing for an allowance equal to 50% of salary for parents of children up to the age of 12 years who could not leave their children with the other parent. In this case too, the company advanced the allowance to employees. A babysitter bonus was introduced as an alternative to be used when registering for summer schools. The government did not make the first grant available immediately when schools were closed, and so the company paid a daily flat-rate contribution to childcare expenses until 15 March, the date that the state bonus became payable. The assistance paid by the company amounted to €50 for employees on full-time contracts and €30 for those working part-time. In addition, to facilitate family arrangements, five extra days of leave were granted to employees with a family member working to control the virus in an Italian hospital.

***How were employees supported during the lockdown period?***

We tried to support our employees as much as possible during the most critical phase of the crisis. We created a dedicated channel on Microsoft Teams, called "Oberalp stays at home", to keep each other company and to create a stronger, more cohesive group. The platform was used to exchange help and advice, to start discussions, and to launch fun challenges. We also

offered mini sports programmes, such as online yoga classes or workout tutorials. We regarded the lockdown as a time to invest in training for our employees, and to this end online training courses have been organized. A specific learning programme was dedicated to those most affected by a reduction in working hours, such as colleagues employed in shops. Employees working at Salewa, Under Armour and outlet stores could take advantage of digital tools and online courses to learn more about products, brands, sales techniques and much more.

***Have you implemented additional employee welfare initiatives following the lockdown?***

The pandemic was an unforeseen situation to which we were able to react thanks to our strong and united team. Despite all the limitations and uncertainties, we can expect the current financial year to end more positively than initially projected. All this was possible thanks to the best efforts of our employees, who continued to work with great commitment and dedication. As a way of thanking them for having faced up to this challenge with determination and flexibility, we have decided to give them the opportunity to enjoy a stay in a hotel in Val Venosta with one other guest. We want those who work with us to be able to spend a few days relaxing or devoting themselves to their favourite outdoor activities, recharging their batteries after this particularly intensive period. A similar opportunity was offered to those who work for us in Asia overseeing product quality: they were given a voucher to be used with their family on an activity of their choice.

**Voluntary measures**

***Has any part of production been converted to produce PPE or similar items?***

We do not own any factories apart from the one at Pomoca. We have a small sample room at our offices in Montebelluna where we have produced medical gowns using high quality leftover material. We have also ordered and produced fabric masks from one of our suppliers in Italy.

***Were these items sold or donated? Who covers the costs of raw materials and labour?***

The medical gowns were donated to the health authorities. The materials needed for their production were already in stock and the staff who made them are on our payroll, so they received their normal salaries. The fabric masks were partly sold and partly donated. We paid for the finished products, with raw materials and labor costs covered by the supplier who we then paid and who cooperated by reducing profits to the bare minimum.

**Second wave**

***How are you coping with the second wave?***

The summer gave us a breath of fresh air, with the number of infections falling and our sales picking up again. Unfortunately, this lull is now over and, as expected, we are currently being struck by the second wave of the virus. We are limiting our presence in the office to reduce the number of contacts and we keep warehouse staff separated from office staff. The use of masks remains mandatory and we are continuing to measure body temperature upon arrival, as well as encouraging frequent handwashing. Some safety measures have been stepped up for this second wave, for example stricter and more methodical management of face-to-face meetings. In addition to minimizing travel, we recommend that employees avoid gatherings by not organizing team events or celebrations during coffee breaks. Even in these challenging times we are trying to keep our team in a good mood we are certain that we will overcome this difficulty in the only way possible: