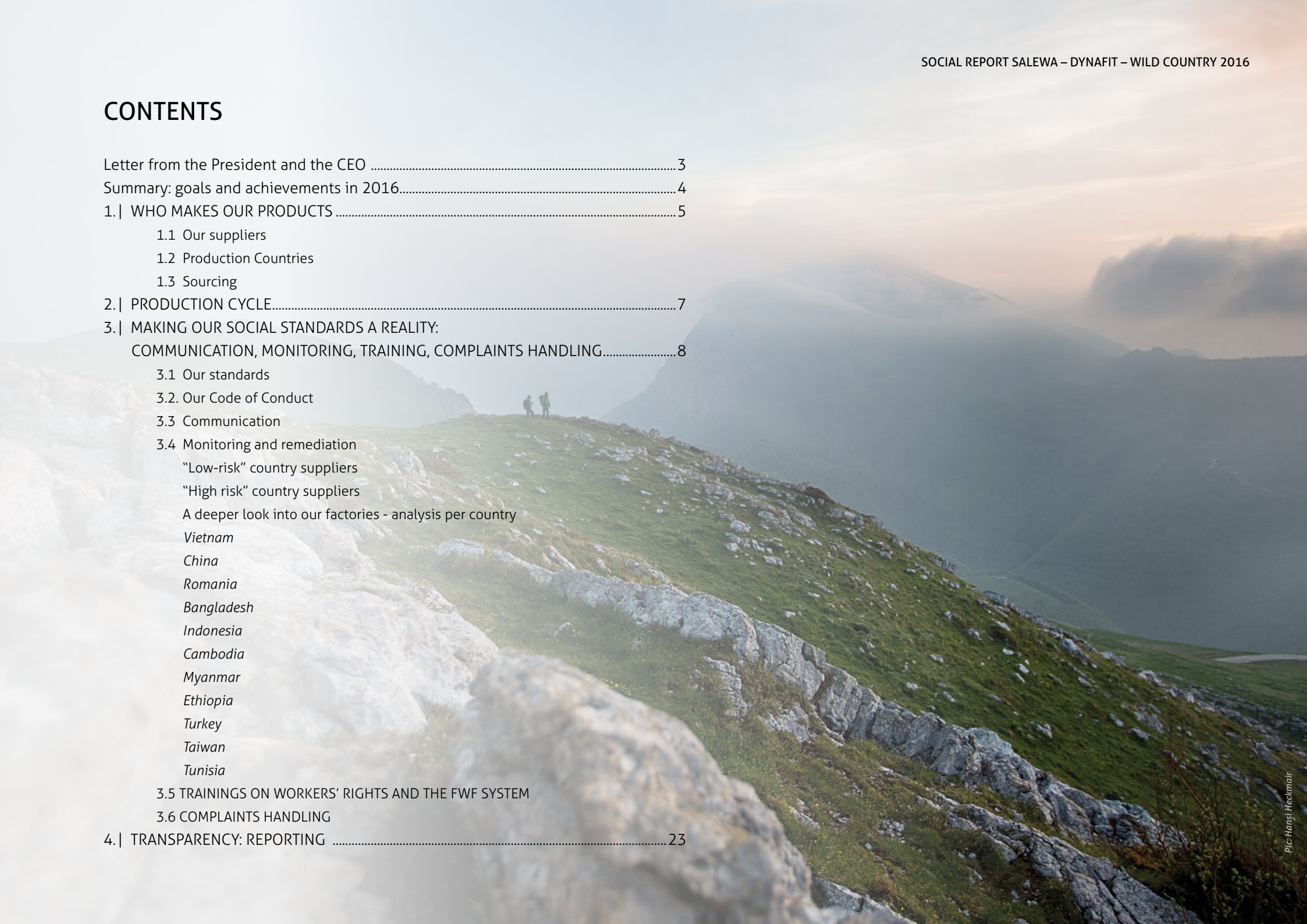




SOCIAL REPORT 2016

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Introduction



Heiner Oberrauch
President Oberalp Group



Massimo Baratto
CEO Oberalp Group

These fast changing times are challenging us and it is important that we keep our CSR focus in every topic. We want to preserve the good and make the new even better.

We adopted the slogan “Do less, what’s right and go deeper” in our company and we try to implement this on a daily basis. This simply means that we give our best, cut away the less important, and concentrate on doing the things where we are experts. Of course, this leads to some cutting and revising to better focus, but also to increasing the quality of our work. Keeping this in mind, we both significantly reduced our product collection and decreased the number of factories we work with by 18% in one year. This allows us to go deeper and pay more attention. These are practical examples of the smaller and bigger achievements and efforts we make every day to act responsibly.

We are all people and we put humanity and environmental responsibility in the center of our attention, because only in doing so, we can build strong, long-lasting partnerships with suppliers, who can guarantee high social standards.

We are fully convinced that our membership in bluesign® and the Fair Wear Foundation are necessary and we appreciate their support and also the possibility to cooperate with other important players. We strongly believe that working together allows us to increase the impact of the changes we make. For six generations this love of sport and people has been driving us to develop high quality and technically advanced products in a reliable and responsible way, because as a management-driven family business it is a must to care also for future generations.

Summary: goals and achievements in 2016

2016 was a very important year. Since joining the Fair Wear Foundation (FWF) at the end of 2013 we have re-organized our team internally, opened up to third-party verification in our factories and discovered opportunities for improvement alongside our partners.

Our task entails a delicate balance: we are a family-owned company who became a global player. We feel responsible for the people who work for us, but produce and sell all around the world: it is a daily challenge to make high quality products, deliver them at the right time and with the right price, and at the same time ensure fair working conditions in the factories.

The latter has always been a goal of our Company, and the FWF system has been of outstanding support in reaching it. Preconditions of FWF membership are playing with open cards, serious engagement, and communicating on a regular basis with all the stakeholders involved.

Also cooperation is key. In our products, we strive to differentiate ourselves from other brands. But regarding our suppliers we have two things in common: we cooperate with specialists, and often our partners and their factories are spread around the world, in countries with cultures and standards very different to ours. Members of the FWF disclose all production facilities, and if there are “matches” or factories which work with more than one brand, FWF communicates this to the brands concerned so we can join efforts. Friendly and effective exchange between us makes it more likely to persuade suppliers to make improvements.

This framework has led us to very important achievements: enhanced transparency in our supply chain, dynamic collaboration with our competitors, proactive involvement of advisors and third parties who can help us to improve our management practices, honest dialogue with our business partners and constant verification of the working conditions in the factories.

In 2016 we managed to maintain and further strengthen the high standards we reached in 2015 in all three aspects of the implementation of our social policy along the supply chain:

- **Communication** of our Code of Conduct and the FWF Code of Labour Practices with all our suppliers, with their commitment to respecting and upholding the standards set;
- **Monitoring** of the working conditions in our factories went from covering 78% of our volume in 2014, to nearly 87% in 2015 and this year, we reached over 93% with audits.
- **Transparency:** information on our suppliers and processes is public for FWF and its members, and the exchange of information about our factories with our competitors constant. This has allowed us join efforts in effectively improving the working conditions in the factories we share.

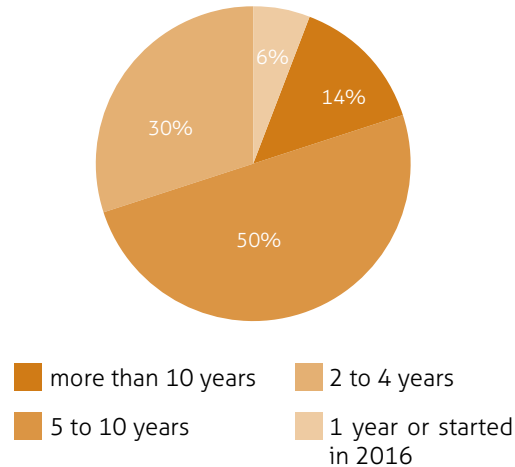
As for the two main challenges we faced this year (see Social Report 2015), we were quite successful in making steps forward. First, in achieving a tighter control on our suppliers to prevent subcontracting to factories which are not previously approved by us. As reported last year, even though we work with long-term and trusted partners and took every care to prevent this from happening, in 2015 we were not able to do so completely. In 2016, through new processes and increased monitoring we managed to reduce unauthorized subcontracting to zero. And second, in deepening our commitment to solving issues of overtime and living wages. We began to work systematically with our suppliers to identify the root causes of overtime and explore possibilities for improving wages in the factories. Two important steps forward: with this focus, we were able to close most issues found in audits regarding the lack of payment of benefits, overtime, social insurance, discrimination of payment.

1. | WHO MAKES OUR PRODUCTS

1.1 OUR SUPPLIERS

We work hard to build long-term and stable relationships with our suppliers, and around 64% of our volume comes from partners who have been with us for more than 5 years. 30% between 2 and 4 years, and 6% joined us between 2015 and 2016. We believe the only way to grow as a Company is to have partners who themselves grow and improve also, and we cooperate with them to improve the working and environmental standards in their factories. However, we may start business with new suppliers for a number of reasons: technical or quality requirements, or in some cases, because an existing supplier does not fulfill our CSR standards and does not cooperate in the improvement of working conditions in its factories. In 2016 this made up a very small proportion of our volume, around 1%.

COOPERATION WITH OUR SUPPLIERS IN TIME



Apart from long-term relationships, we aim at **consolidating** our production volumes in fewer factories. By concentrating in less production locations we achieve two important goals: the quality of our communication and follow-up in the factories and leverage increase, and this raises the chances of making changes for good in the workplace. Between 2015 and 2016 we had a **reduction of 18%** in the total number of factories.

Each season we evaluate each supplier's overall performance to decide whether to continue, invest, divest or stop working with each partner. Key in this analysis are the results obtained in terms of workers' rights: general cooperation and commitment, the

findings during auditing in the factories, and the cooperation of the supplier in the solution of problematic issues found. Our aim is to help suppliers in the process of reaching higher standards in their facilities, but when this is not possible because the actual conditions of the factories do not meet the basic health and safety standards, and the supplier is unwilling or unable to make significant improvement, we have to look for an alternative.

The decision to look for a new supplier involves our General Management, our sourcing staff, our pricing and quality Managers and our CSR team. We evaluate the prospective partner's Social Responsibility engagement through a "screening procedure", and conduct our own audits in the facilities with a Factory Assessment Form, before we approve the allocation of our products in them.

The criteria for an eventual cooperation are **the respect of labour standards contained in our Code of Conduct**, the availability of required **technologies or machines and capability** of the supplier to produce in the right way, the **capacity of the factory** to deal with our forecast quantities in the timing we propose and at our target FOB price. Also the **geographic location** of the factory is important: a **logistics and environmental assessment** helps us to choose factories evaluating their potential environmental impact, and we prefer factories that are close to transport infrastructures, to fabric and accessories suppliers. Finally, a **quality and volume assessment** helps us to find the right production country and supplier with regard to our required quality standards, the estimated quantity, and the risks linked to production lead time and delayed delivery.

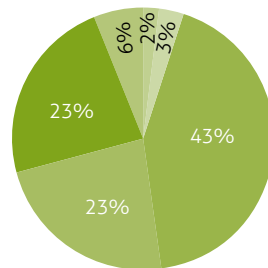


1. | WHO MAKES OUR PRODUCTS

1.2 PRODUCTION COUNTRIES



SALEWA, Dynafit and Wild Country product ranges are made in 21 different countries, 10 of which are in Europe or the USA, and where approximately 23% of our purchasing volume (FOB value) in 2016 was produced. The two most important supplier countries outside Europe are, like last year, Vietnam and China.



PRODUCTION FACILITIES

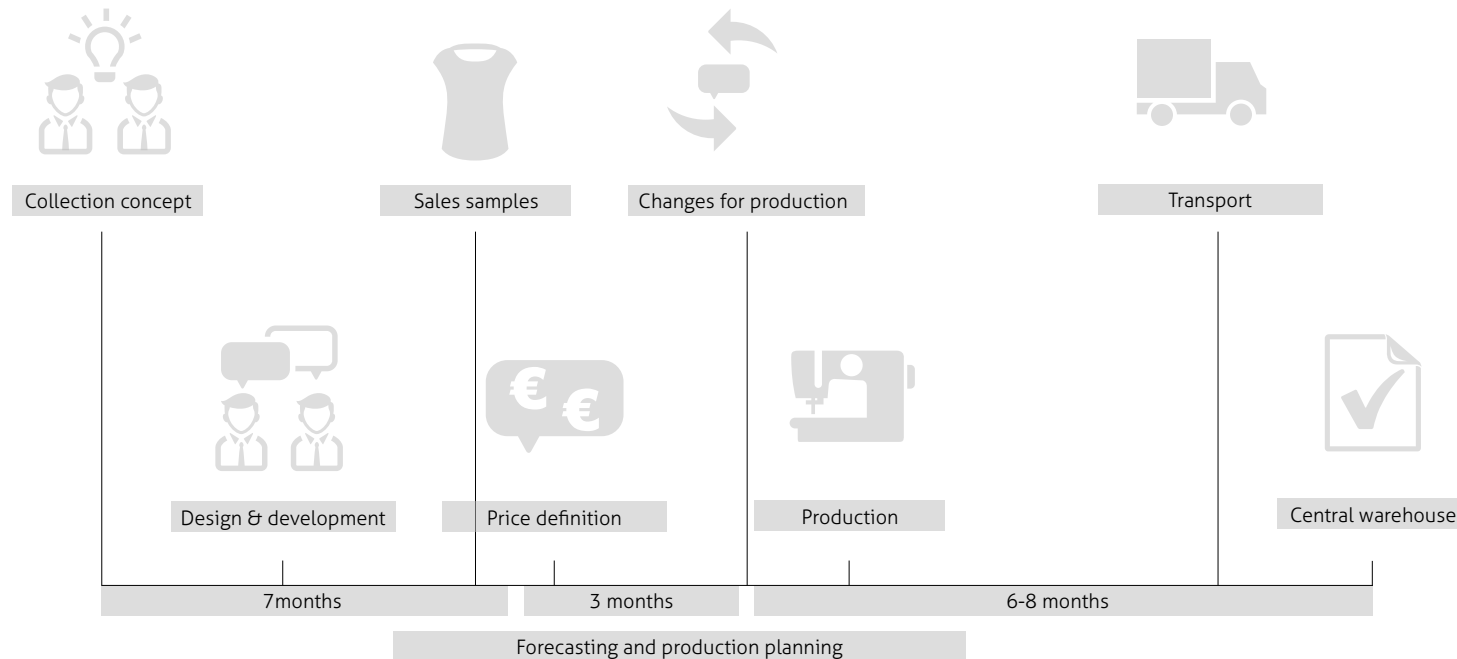
- Europe/USA
- China
- Indonesia
- Vietnam
- Bangladesh
- other countries

1.3 SOURCING

SALEWA, Dynafit and Wild Country supplier sourcing is done independently by the different divisions. Each division has its own structure but the common denominator in decisions concerning our production sources is the fact that they are taken by close cooperation between the members of the team. Suppliers are evaluated periodically and all aspects of their performance are taken into account, including the results obtained in audit and monitoring the implementation of our Code of Conduct in the factories. Taking a supplier on board and production allocation, are the result of in-depth discussion between the division managers, the sourcing staff, costing and production managers, the quality department, product managers and developers, and the CSR team.

2. | PRODUCTION CYCLE

DESIGN AND PRODUCTION CYCLE



The cycle of our products varies slightly between the divisions (apparel, footwear, equipment and technical hardware), according to the technology employed, development times and market needs. However, planning for the production in two seasons, summer and winter, is common to all, and is composed of six key elements:

- a **feasible timeline** is agreed upon with the suppliers, aimed at establishing realistic production leadtimes: due regard of the relevant national and religious holidays in our production countries: Ferragosto (the Assumption of Mary), Chinese New Year, Qingming (Tomb Sweeping Day – All Souls), the two golden weeks (the first weeks of October and May), Taiwanese Peace Memorial Day, Mid-Autumn Day, Dragon Boat Festival, the Water Festival (Myanmar) and Ramadan;
- enough time is allowed for the production and quantities are split between two or three **well-spaced orders** per season;
- **forecasting** is constant and as reliable as possible;
- **consolidation** of similar styles and fabrics to increase resource efficiency, the
- overall constant **communication** with the suppliers to solve doubts on both sides, and
- **timely sending of all technical data and sample approval** so that suppliers can go ahead with the production as soon as orders are placed.

3. | MAKING OUR SOCIAL STANDARDS A REALITY: COMMUNICATION, MONITORING, COMPLAINTS HANDLING

3.1 OUR STANDARDS

Protecting the people who are involved in making our products, and supporting them to develop and progress, is difficult when working with companies around the world with foreign ownership and involving different cultures. We are therefore constantly researching on the social and legal framework in the countries where we produce, and adapting our policies, focus points and approach to the suppliers accordingly.

The backbone of our business as a Company and the standards we expect from our suppliers around the world are embodied in our Code of Conduct. It contains our guiding principles and the Company policy on social responsibility, the environment and corruption. At its core are sustainability and compliance, as well as an ethical and fair behaviour towards people, where monitoring on the implementation of Fair Wear Foundation's 8 labour standards plays a central role. Moreover, it is an information tool for making all employees and suppliers aware of their rights and duties.

OUR CODE OF CONDUCT

1. Child labour is not tolerated. Suppliers may not employ any person below the age of 15 or below the age for completing compulsory education if higher, according to the laws of the country of manufacture (CRC, ILO Convention 138).

2. All employees must be treated with respect and dignity. Suppliers may not subject their employees to physical, sexual, psychological or verbal harassment or abuse.

3. Employment must be based on ability and no discrimination is tolerated. We verify that suppliers do not have discriminatory policies or practices in recruitment or with regard to employment practices such as salary, benefits, working conditions, discipline or termination, on the basis of gender, race, nationality, social or ethnic origin, religion, sexual orientation, political opinion, age, disability, handicaps or other status. (UDHR, ICERD, ICCPR, ILO Conventions 100 and 111).

4. Employment must be freely chosen. The use of forced labour, whether in the form of prison labour, bonded labour, or otherwise is not tolerated. No employee shall be compelled to work through force, the threat of force, or intimidation in any form (UDHR, ICCPR, ILO Conventions 29 and 105).

5. Payment of a living wage must be guaranteed. Wages are essential to meeting the employees' basic needs. We only deal with suppliers who compensate their employees fairly by providing wages, benefits and leave that is equal to or exceeding legal minimum wage or prevailing sports industry wage, whichever is higher. The wages paid must be adequate to cover living costs and allow a reasonable discretionary income in addition. (UDHR, ILO Conventions 26 and 131).

6. Hours of work shall not be excessive and overtime duly paid. Suppliers should maintain reasonable working hours. They must ensure that the regular working schedule does not exceed 48 hours per week and guarantee that workers are provided with at least one day off after 6 consecutive working days. Overtime may not exceed 12 hours per week, may not be demanded on a regular basis and must al-

ways be compensated at a premium rate, (ILO Convention 1). Workers must always have the freedom to accept or to refuse overtime work.

7. Working conditions are decent and safe. Suppliers must provide their employees with a safe and healthy working environment, designed to prevent accidents and injury to health, arising out of or occurring in the course of work. This includes protection from fire, accidents, and harm through toxic substances, and guaranteed access to drinkable water at all times. Moreover, lighting, heating, ventilation systems and sanitary facilities should be adequate. Factories must have safety and health policies and procedures that are clearly communicated to the workers. The same standards apply to residential facilities if they are provided to employees. Effective regulations must be implemented to prevent accidents and minimize health risk as much as possible (ILO Convention 155).

8. Freedom of association must be guaranteed. We expect all of our suppliers to grant their employees the right to freedom of association and collective bargaining, in a lawful and peaceful manner and without fear of any disciplinary action, penalty or interference.

(Universal Declaration on Human Rights, IC-CPR, ICESCR, ILO Conventions 87 and 98). Workers' representatives may not be subject to discrimination and shall have access to all workplaces necessary to enable them to carry out their representative function. (ILO Convention 135 and Recommendation 143).

9. The employment relationship is formally established. The relationship between the supplier and its workers must be regulated by a written contract with clear rights and obligations, and giving the parties the possibility of lawful termination. Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting agreements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment.

10. Environmental requirements. Suppliers must implement an effective program and a system to tackle environmental issues in the factory, taking a precautionary approach. This includes applying the best available technologies and adequate measures to prevent pollution by reducing and managing waste as well as emissions to air and water, extending the use of environmentally friendly technol-

ogies for cleaner production, and supporting the sustainable use of natural resources.

11. Corruption. We conduct business with integrity, honesty and responsibility and promote and support initiatives to counter all forms of corruption. Suppliers must guarantee that their business practices involving products for us are free of corruption, direct or indirect, including planned, attempted, requested or successful transfer of a benefit as a result of bribery or extortion.

All our suppliers commit to the implementation of our social standards by signing our Code of Conduct, and they participate actively and openly in the monitoring activities we organize within the FWF system. The full text of our Code of Conduct is available on the websites of SALEWA, Dynafit and Wild Country.

In line with our Code of Conduct the Fair Wear Foundation's 8 labour standards are:

THE 8 LABOUR STANDARDS



1 employment is freely chosen



2 freedom of association and the right to collective bargaining



3 no discrimination in employment



4 no exploitation of child labour



5 payment of a living wage



6 reasonable hours of work



7 safe and healthy working conditions



8 a legally binding employment relationship

3.2 COMMUNICATION

An introduction of the Fair Wear Foundation system of values and procedures to partners, and our commitment to working according to them with all suppliers, are part of our daily work. Suppliers who wish to cooperate with us must adhere to this long-term goal of ours. All our partners have the obligation to sign our Code of Conduct and commit to its implementation, to disclose the data of the factories where they make our products, and to inform each factory about the implications of our Fair Wear Foundation membership and requirements.

Dialogue is essential for the implementation of these standards, so we use every opportunity for refreshing this commitment. We remind the suppliers of the importance of it in our periodic communication, at our supplier conventions, and on our frequent visits to them we discuss the status and any difficulties they face.

3.3 MONITORING AND REMEDIATION

We monitor the implementation of our Code of Conduct and Fair Wear Foundation's Code of Labour Practices in the factories. In particular, during our audits and visits to suppliers we look for evidence that the 8 labour standards are respected.

Some suppliers have an easier path, because local laws in place and existing social security systems provide good support. They are considered by Fair Wear Foundation to be **"low risk country factories"** (for example Italy, Lithuania, Portugal, Switzerland, etc., where in 2016 we produced around 16% of our total volume) and decent working conditions are a given. Subscription of our Code of Conduct is still essential, as is the posting of a document in the local language informing workers of their rights and publishing a helpline allowing them to inform us of any irregularities. Even though monitoring is not essential, we visit the factories and make informal audits. Until now we have not found any critical situations and these factories have very high standards, making our work in this respect quite light.

More difficult is the work with suppliers located afar, in so-called of **"high risk"** areas. Common risks in these countries are suppliers subcontracting to facilities which are unknown to the customers and below the expected standards, and it is difficult to obtain accurate and timely data. Therefore close monitoring and follow-up are a must, and our efforts here go in four directions:

- **Data collection:** we collect, store and manage detailed information on each of the production sites and make a screening of prospective factories. Concretely regarding **subcontracting**, we enhanced controls at our suppliers to make sure that our production orders are not allocated to locations unknown to or not approved by us. Our Code of Conduct contains an explicit clause on this, and suppliers are reminded constantly of its importance, on two accounts: as part of our consolidation goals (to reduce the number of factories), and also as part of our monitoring plans, because auditing and audit follow up programs are made for the whole year, taking into account the facilities known

at the end of the previous one. An internal process makes sure this is monitored at various stages of our production planning and again during production and quality control. With this, we were able to eliminate unauthorized subcontracting in 2016 (see above, goals and achievements 2016). Furthermore, we collected data on the facilities which our factories occasionally use to carry out certain steps of the production process (printing, embroidery and ironing) and included them in our monitoring system. Data is also available to FWF and these small factories, even though not in contact with us, must adhere to our Code of Conduct and post the WIS in their premises in the local language, in a visible place. They also thus have access to the workers' helpline and may file complaints in case of irregularities.

- **Worker information:** we verify that workers are made aware of their rights via the posting of a so-called "Worker Information Sheet" provided by Fair Wear Foundation in the local language, and also by offering training sessions for the staff and workforce of the factories.

3.3 MONITORING AND REMEDIATION

- **Auditing and monitoring:** our quality control team monitors each facility where our products are made and visits them if possible once a year, and we also carry out social audits. In 2016 we visited 94% of our production facilities and monitored the workers' rights situation through audits covering around 93% of our production volume.

Audits are followed by a complete assessment of the findings regarding each of the 8 working standards. In case we find situations of non-compliance, a Corrective Action Plan with steps for remediation, with a timeline for them, is set up.

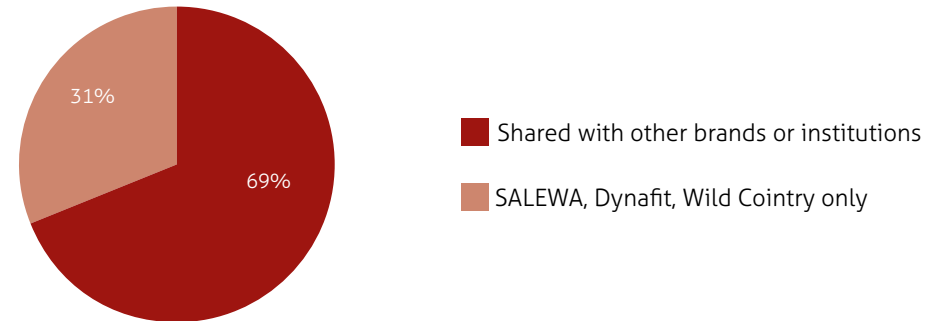
- **Cooperation with other brands:** auditing and Corrective Action Plan follow up until all issues are closed, are communicated to other brands who also produce in the factory and thus share the interest of seeing the solution of the problems. The framework of cooperation is set up and aided by the FWF membership and has two main positive effects: enhancing the probabilities of change for good, and avoiding the duplication of audits and operative work, both on behalf of the brands and for the supplier.

As single brands (customers for the factory) we might not have much influence in the

factory; but added together, we are likely to amount to a more significant part of the production and therefore the supplier will be more prone to making changes and investments to solve problems in the factories.

Regarding auditing and follow-up work, sharing audits with other FWF members or existing ones made by other customers means that the supplier can focus better on the solution of problems, and reply with one single tool to all the brands and parties interested. With this system, in 2016 we managed to avoid audit duplication by 69%.

TOTAL FACTORIES MONITORED



“LOW-RISK” COUNTRY SUPPLIERS

Country	Number of production facilities	Production share
Italy	10	12%
Lithuania	2	2%
Switzerland	1	1%
Slovenia	1	0,11%
Czech Republic	2	0,8%
Portugal	1	0,33%
Slovakia	1	0,1%
Austria	2	0,05%
USA	1	0,01%
TOTAL Low Risk		16%

Auditing is not necessary in low-risk countries. All our partners did, however, sign and confirm compliance to our Code of Conduct and Fair Wear Foundation’s Code of Labour Practices, and we visited most of these factories in 2016. The facilities we did not visit are long term partners of ours, with an average of more than 8 years partnership and present no risk of non-compliance with our standards.

“HIGH-RISK” COUNTRY SUPPLIERS

A summary of the situation in the high risk countries and factories where our products are made is the following:

Country*	Number of production facilities	Number of audits	Volume in the country covered with Audits
Vietnam	9	9	100%
China	52	27	78%
Romania	3	2	94%
Bangladesh	7	4	92%
Indonesia	4	3	81%
Cambodia	1	1	100%
Myanmar	1	1	100%
Ethiopia	1	1	100%
Turkey	1	1	100%
Taiwan	1	1	100%
Tunisia	1	1	100%

*Production countries are in descending order according to their share of our production volume (see Chart “location of our production facilities and production volume” under “production countries”).

3.3 MONITORING AND REMEDIATION

The main criteria for deciding to audit a location are the volume allocated to each facility and secondly, the probability that the location will continue to be producing for us in the future. In China we have the lowest number of audits and also the lowest volume

covered, because some of our suppliers are specialists who work with smaller volumes and factories.

All in all, in 2016 we managed to cover 93% of our production volume with low risk production plus the audits in high-risk countries:

Country	Production Volume Covered with Audits
Low Risk Countries	16%
Vietnam	43%
China	18%
Romania	6%
Bangladesh	5%
Indonesia	2%
Cambodia	1%
Myanmar	0,66%
Ethiopia	0,51%
Turkey	0,51%
Taiwan	0,12%
Tunisia	0,04%
Total	93,5%

TRAININGS ON WORKERS' RIGHTS AND THE FWF SYSTEM

An important part of monitoring is identifying factories where the awareness of workers' rights and complaints mechanisms is low. This usually comes up during an audit, or is likely to happen in countries with "high-risk" issues (as identified by FWF). To tackle this, and work towards prevention and capacity building, we organized **worker and management education trainings in 6 factories**. With trainings like these, counting those made within the past three years, we've managed to cover factories which make up for 59% of our production volume in countries where this programme is offered by FWF. We also invited our suppliers to participate in several seminars regarding issues specific to each country. These are briefly accounted for in the analysis on the next chapter.

Trainings are also **crucial at home**, so we organized sessions for our **local staff in Europe** and also in **Asia**, including the management and our quality team. We made a workshop for our **Retail Operation Managers and Shop Managers** where our FWF membership, objectives, achievements and challenges were widely explained. As part of these training and communication efforts, we provided tools for the shops: we distributed FWF brochures to be handed out to customers (in German, provided by FWF; in Italian, translated and printed by ourselves) and distributed and wooden signs communicating FWF membership, which are now placed at the counter. We also printed the FWF logo in shoppers, and created "CSR walls" with this information in 6 of our shops.

3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

VIETNAM

Factory Code FWF System	% of total production member	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet posted in factory	Worker Trainings	Visited in 2016	Audits or follow up of audits from the past three years
3268	0,12%	X	X	X			X
3919	7,77%	X	X	X	X	X	X
4568	0,37%	X	X	X	X	X	X
5414	22,75%	X	X	X	X	X	X
5421	2,50%	X	X	X	X	X	X
5434	1,25%	X	X	X			X
5645	7,57%	X	X	X		X	X
7371	0,56%	X	X	X	X	X	X
9790	0,18%	X	X	X		X	X

In 2016 we cooperated with 9 factories and produced 43% of our total volume in Vietnam. Being the country with the highest production share, we concentrated our monitoring efforts there, managing to cover 100% of our total volume in the country, between follow-up on the audits performed the previous two years and new ones, and organizing worker trainings to cover nearly 80% of our volume in the country. We visited most of the facilities apart from two, which we knew would be finishing the last orders at the end of 2015 or the beginning of 2016 and not produce for us any more.

In our monitoring activities in Vietnam, auditors found no issues regarding the **freedom of**

choice of employment, child labour or discrimination in employment in the factories.

Minor **health and safety** issues were found and followed up, solved and closed for the most part. Fire safety measures were implemented and training given to workers, and records of all this were kept, as requested.

The most pressing issues in the country, and where we concentrated the most like the previous years, are freedom of association and collective bargaining, the payment of a living wage and reducing overtime in the factories.

On **freedom of association**, the most frequent problems are the lack of dialogue mechanisms or procedures in place, or that, when they do exist, they do not work ade-

quately: they are not communicated by the company to workers, worker meetings are not held every 3 months as required by law, no record is kept on the meetings, executive committees lack communication skills and procedures, election processes are not known to workers, and that union leaders are not part of the workforce or not elected democratically by the union. In 2016, we saw significant progress in all of these aspects in all of our partner factories in Vietnam. Although workers are still in need of training regarding the use and functioning of workers' committees, we found that factories have made improvements by conducting and documenting trainings and increasing dialogue with workers on a regular basis. Also, a factory corrected a situation where the workers' representative had been found to be a supervisor and not a part of the workforce. This is an ongoing process and we continue to monitor the effective functioning of the committees.

Achieving the **payment of a living wage** is one of our main goals. This includes not only a fair salary, but also the achievement of it without the need for overtime; benefits, leave, severance and social insurance for workers. In our audits in 2016 we found that even though the legal minimum wage is paid to workers, wages are below estimates of living wage by local stakeholders as consulted by the FWF. This is a difficult issue to tackle with some factories, who maintain that they are paying fairly: they provide benchmark studies of factories around the area to show that their

wages are higher than normal the standard in the industry and geographic area. In any case, we work together with them to improve wage levels on a constant basis. For the rest of the issues, we worked together with the factories, and they also with the union leaders, to solve the outstanding problems: immediate remediation of late payments and unpaid leave, issues regarding missing documentation or late payment of social insurance claims, and in general, looking for a way to contribute to the payment of a living wage.

Overtime is common in Vietnamese factories, and in 2016 we found the same issues and root causes than the previous year: this is mostly due to poor planning in the handling of production orders. Two additional key issues in 2016 regarding overtime were the attendance records (a need for available, clear, reliable ones) and the strictly voluntary character of overtime. Alongside demands that the factories make improvements and increase transparency, we are doing our part by refining our forecasting, strengthening our cooperation with fabric suppliers to avoid delays, and avoiding last-minute changes. Factories, in turn, have made internal changes to reduce working time, to communicate clearly that overtime can be refused, and to guarantee a day of rest after 6 consecutive workdays. They have also pledged to improve their own planning and increase capacity in their facilities. This should allow for better planning and result in feasible production timing within **reasonable hours of work** in the long term.

3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

CHINA

Number of factories	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet posted in factory	Worker Trainings	Visited in 2016	Audits or follow up of audits from the past three years
51	23%	49	50	45	5	46	26
Percentage of volume in the country		99,9%	100%	96%	32%	97%	78%

In 2016 we had 51 factories in China, which shows good progress in terms of consolidation: we managed to reduce the number of facilities by 30% (in 2015 there were 73) and concentrate our production volume (23%) in less factories. This meant we were also able to improve monitoring at the suppliers and greatly reduce one of the toughest problems we had the previous year: unauthorized subcontracting to facilities after order placement. Between new audits and follow-up on the ones done the previous year by FWF and by other third-party auditors, we managed to cover nearly 80% of our volume in the country. We found **no issues of forced labour, discrimination or child labour.**

Our quality management team was able to check and make sure that minor findings on **health and safety issues:** obstacles were removed from exits, extinguishers were checked and replaced, and protective devices were installed or distributed were needed. The three main issues we encounter in Chinese factories are related to **freedom of association and collective bargaining, overtime and the payment of a living wage.**

Communication and consultation are closely connected to **freedom of association and collective bargaining.** Workers’ awareness of their rights is quite low and so is the tendency towards resorting to dialogue in the solution of problems rights. To tackle this, we carried out Workplace Education Programs in 5 factories covering around 32% of our production volume in the country. We monitor this constantly and remind the factories of the importance of setting up worker committees. Our partners have shown willingness to provide further training to workers and improve their communications policies to make workers’ rights more effective.

Also, many factories do not have trade unions in place, and others where they do exist, do not function correctly, or workers are not aware of them. Explaining the importance of dialogue between management and workers, and accompanying the factory in setting up worker committees are some of the steps that were carried out, and suppliers have shown their availability in implementing changes. They are willing to provide further training to workers and improve their communications

policies to make these rights more effective. **Payment of a living wage and the mitigation of overtime** are two strictly intertwined issues and they are still the most problematic topics in our Chinese factories. We tried to work on the root causes of these issues, building on the work we had begun in 2015. Unfortunately, as already reported, we are faced with a lack of transparency. False payment and attendance records and double book-keeping are very frequent and the information we are presented with makes the calculation between the hours worked and the pay quite difficult, if not impossible. As for **excessive working hours,** even though in the last years we have improved our planning and increased the quantity and quality of our forecasts, in 2016 it did not have the effects we expected. Suppliers admit to planning poorly themselves. They accept our orders and confirm the quantities and timing, the allocation to designated factories, but in the end find themselves not being able to fulfill their promises. Plus, they do not inform us in a timely manner and thus solving problems together with them becomes even more dif-

icult. Our controls are tight and constant, and we are setting them earlier each time, to get to the bottom of this problem and find additional ways to contribute to the solution. However, our we are realistic and aware that, even if we make great improvements on our side, other companies source from these factories and might not follow our pattern, so the problem may persist. We will nevertheless continue to do our part.

As for living wages, we continued to work with our suppliers to achieve greater transparency in costing. We also began root cause analysis and exploring the possibilities of beginning a pilot project with one of our suppliers. Our greatest achievement in 2016 was to rule out unauthorized subcontracting in our Chinese factories, which had been an issue in 2015. We put in place a process for systematic control of the factories and managed to implement it successfully. In 2017 we will continue to keep a tight control of our suppliers to avoid this happening again.



3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

ROMANIA

Factory Code FWF System	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Worker Trainings	Visited in 2016	Audits or follow-up of audits from the past three years
2708	5,93%	X	X	X	X	X	X
9882	0,40%	X	X				
11122	0,12%	X	X	X			X

In 2016 we produced 6,4% of our total volume in Romania, in 3 different factories. We followed up on 2015 audit from the FWF in the most important factory we had in the country, who produced around 6% of our total volume and made up for 92% of the volume in Romania. Additionally, we followed up on an audit performed by a third party, thus managing to cover 94% of our volume in the country.

No issues of **forced labour, discrimination or child labour** were found, and **working hours** were judged to be reasonable. Issues regarding **employment contracts**, where job descriptions did not match the actual duties performed by some workers were corrected, and now all tasks were incorporated in the respective job descriptions.

Some **health and safety** issues found or outstanding from last year were resolved.

As for wages, even though the factory has demonstrated they are 20% above the legal minimum, some local stakeholders still maintain they are not enough to make a living. We began to work towards a root cause analysis of this and hope to be able to make some progress in the coming years.



3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

BANGLADESH

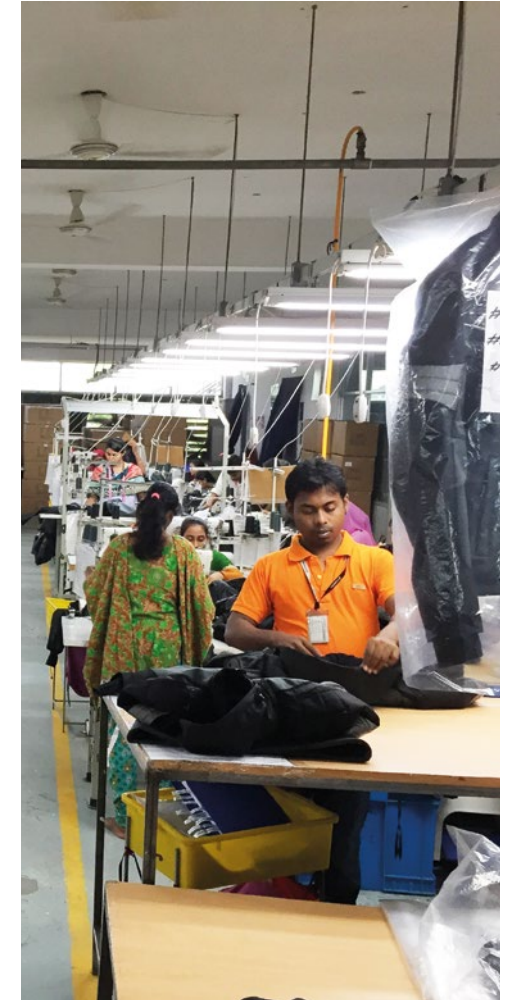
Factory Code FWF System	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Infor- mation Sheet is posted in the factory	Trainings	Visited in 2016	Audits or fol- low-up of audits from the past three years
5843	5,09%	X	X	X	X	X	X
5513	0,36%	X	X	X		X	
11121	0,10%	X	X		X	X	X
5766	0,07%	X	X	X	X	X	
9877	0,05%	X	X	X		X	X
9881	0,03%	X	X		X	X	X
9686	0,02%	X	X	X		X	

In Bangladesh, in 2016 we worked with 7 factories who covered 5,7% of our total production volume.

We continued to monitor our suppliers in this country very closely. We take safety seriously, and conduct careful screening of potential factories, and regular checks on existing ones. Our Bangladesh staff follows up on this, monitors the execution of corrective measures in case problems are found (by us, by auditing companies or within the framework of the Bangladesh Accord), and is trained and updated constantly. Our main challenge in 2016 was dealing with suppliers not willing to implement the corrective actions required

to have their structures up to standard. This was the case with one particular supplier we were working with, when one of his factories was excluded from the Accord. We immediately had our production relocated to another facility, and had to work intensely to have this done, to a factory with the standards we require. After many visits and opportunities given to the supplier, and the reiteration of the importance of upholding these standards, we realized the supplier was not prepared to take this matter seriously, and cooperation with this partner will not last beyond this year.

Apart from following up on specific safety issues inside the factories, we made efforts in tackling another issue in this country, namely harassment. We invited all our suppliers to attend a seminar organized by FWF on Anti-harassment and Violence Prevention Capacity building. The programme focused on developing internal systems to prevent violence and enhance communication systems for women workers in Bangladesh, to prevent violence in the factories and promote gender equality. Most of our suppliers attended the seminar, covering 92% of our production volume in the country.



3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

INDONESIA

Factory Code FWF System	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Audits or follow up of audits from the past three years
5520	1,06%	X	X	X	X
5523	0,80%	X	X	X	X
5515	0,47%	X	X	X	
5729	0,11%	X	X	X	X

In Indonesia, in 2016 we worked with the same 4 factories as last year and produced 2,4% of our total volume.

We covered more than 80% of our volume in the country with audits, and like last year, found no **forced labour, discrimination, child work** or issues of **overtime or wages**.

The most relevant issues we found in the audits regard **freedom of association**, and we immediately set to solve them with the management: a complaints mechanism that was not working properly, the lack of a collective bargaining agreement, the fact that the Union was not allowed to have regular meetings, and a possible case of a union leader being targeted by the factory. We made good progress during the year: the concerned factory

put a working complaints mechanism to work, is making sure that the union meets regularly and minutes are kept, and is constantly reminding the Union of the need to draft the collective bargaining agreement. However, this is still pending and also the possible case of persecution of the Union leader. It is a delicate issue and the facts are not clear. We are still trying to clarify them and also assess the legality of the actions taken by the factory. Due to its complexity, FWF is providing extra support in this investigation together with local legal advisors.

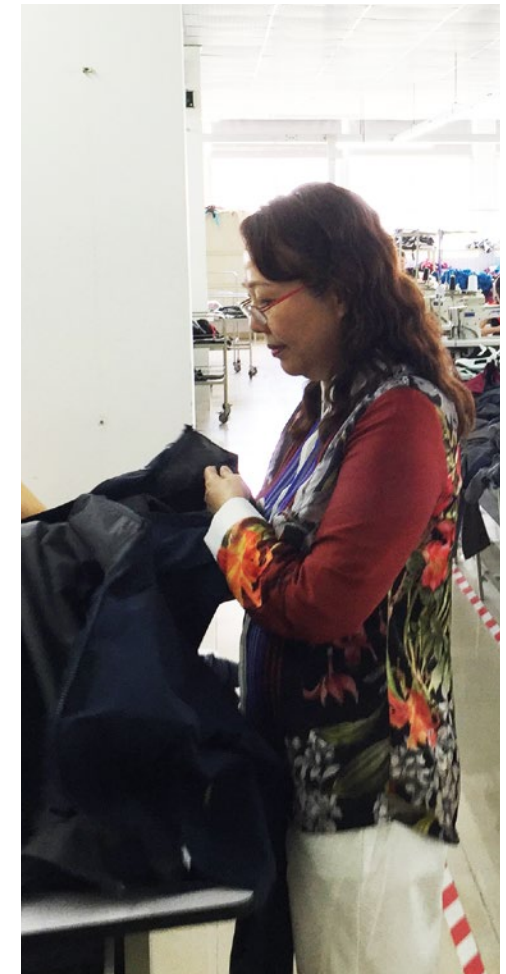
Minor **health and safety** issues were discussed with factory management, and actions were taken immediately. Most matters have been solved.

CAMBODIA

Factory Code FWF System	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2016	Audits or follow up of audits from the past three years
7218	1%	X	X	X	X	X

One of our partners has a factory in Cambodia, where 1% of our volume is produced. Our supplier is committed to implementing our Code of Conduct and Fair Wear Foundation's Code of Labour Practices. In 2016 we followed up on two audits carried out in the factory.

Most of the **health and safety issues** which were found were solved in a short time and other (minor) issues related to **freedom of association, wages** and management practices are in the process of being solved in close cooperation with the supplier.



3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

MYANMAR

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Trainings	Visited in 2016	Audits or follow up of audits from the past three years
5311	0,7%	X	X	X	X	X	X

We produce only a small quantity in Myanmar, less than 1% of our volume. In 2016 we had only one partner, who committed to implementing our CoC and the Code of Labour Practices. Even though our volume is not significant, like in 2015 when we began to source in this country, we decided to devote a lot of attention to this factory because of its complexity and high risk character. Our staff visited the factory in numerous occasions, we followed up on the social audit performed the previous year and involved the Company staff in trainings. Also, a complaint received in September about worker dismissal and alleged anti-union action kept us very busy, and will do so until it is finally resolved.

The health and safety issues found during the audit in 2015 were further worked on and improvements made. There are very few outstanding issues.

Relevant issues we followed up intensely this year were wages, internal dialogue and union rights.

As reported last year, although an official minimum wage was established in the country at the end of 2015, there are several risks related to it: local stakeholders argue that it does

not constitute a living wage and factories tend to use strategies to avoid paying it, like "traineeships" or "probation periods" which are not regular and prolonged without reason. We are working with the supplier in ways to increase the salary of workers, and one important point we worked on with management this year was the clarification and follow-up (until termination of this status) of workers on "probation period". With open discussion and frequent checks, we made sure that this status was not instated or prolonged unjustifiably, and that workers thus received regular pay when due.

As for internal dialogue and communication, last year we had organized a first training on workers' rights with very good results. We believe this is a very important tool in this country, where open dialogue and rights awareness are quite new. This innovative and courageous initiative was also acknowledged by FWF, who gave us, and the two other brands who participated in the project, the Best Practice Award in 2016.

This year we decided to continue along this lines and extend the trainings further. After realizing that there were internal conflict sit-

uations between the workers (Burmese) and middle management (mainly Chinese) based on cultural differences, we invited the Human Resources team to take part in a training programme organized by SMART on cross-cultural communication. The feedback was excellent, so we decided to organize a broader one, which would involve all middle-management and quality control staff in the factory (Chinese). We were not able to carry it out within 2016 but it will take place in 2017.

As for **union rights**, we worked on three fronts: firstly, we stressed the importance of **social dialogue** inside the factory and made sure that management opened up and involved the Union in all important decisions. Second, we followed up on the creation and registry of the **factory's workers committee**, and it should be official and fully operative in 2017. And third, mediation and facilitation in solving the complaint that had reached us in 2015 about mass dismissals in the factory and union rights, at least in part. The corresponding report was published on FWF's website in November; it is a very complex case (see report) and we are working closely with FWF, the supplier, CTUM (the Confedera-

tion of Trade Unions of Myanmar), NGOs and other local stakeholders, to reach a solution to the remaining issues. We hope to be able to close them within 2017.



3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

ETHIOPIA

Factory Code FWF System	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2016	Audits or follow-up of audits from the past three years
6257	0,5%	X	X	X	X	X

In Ethiopia in 2016 we had the same supplier as in 2015, and a production volume of less than 0,5%. In 2015 we had carried out an audit where no issues of forced labour, discrimination or child work, union rights, overtime or underpayment were found. There is an oper-

ating workers committee and communication with the company works quite well. **Minor health and safety issues** were found and solved immediately by the supplier.

TURKEY

Factory Code FWF System	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Audits or follow-up of audits from the past three years
5445	0,5%	X	X	X	X

In 2016 we worked together with one factory in Turkey and made 0,5% of our total volume. We have been working with this supplier for more than 9 years and carried out an audit at the beginning of 2016.

Some issues regarding **safe and healthy working conditions** were found and corrected already. More delicate were the issues of **overtime and payment of a living wage**, and also a **complaint** we received shortly after the audit. We tried to work with the factory to find out the root causes of excessive working schedules and clarification on the wages, and also on the solution of the complaint. As explained below (see complaints),

in this case it was alleged that the factory did not post FWF's Worker Information Sheet in a visible place and that wage rises were made discriminating some kinds of workers. Even though we made several attempts and involved FWF staff in trying to persuade the factory, we were unfortunately not able to advance much in the solution of these issues since the supplier did not show any interest, probably because of the fact that we did not place any new orders there after May 2016. FWF acknowledged the fact that it was impossible to move further and will published the report in 2017.

3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

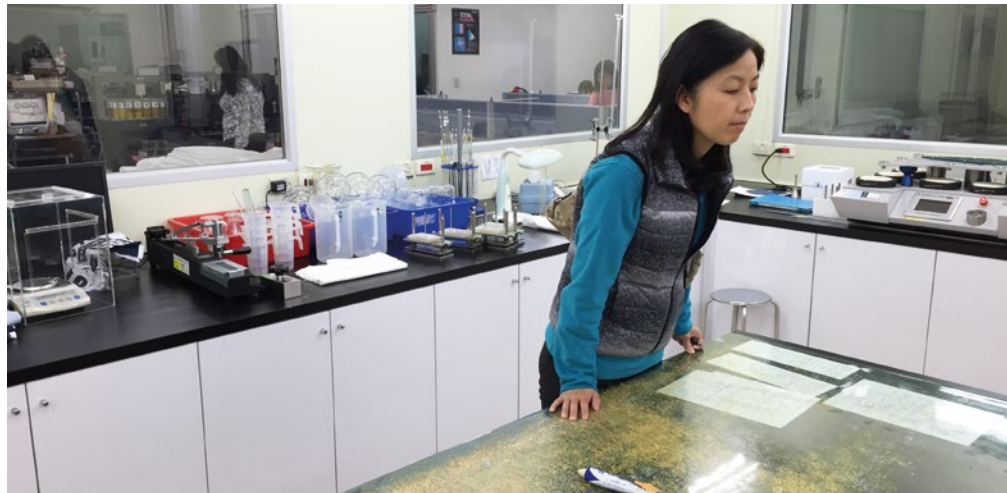
TAIWAN

Factory Code FWF System	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Audits or follow-up of audits from the past three years
2997	0,1%	X	X	X	X

In Taiwan we had only one factory producing 0,1% of our volume. In December 2015 an audit was made and no issues of forced labour, discrimination or child work or union rights were found. The biggest issues found in this factory were overtime and the fact that bonuses for **overtime** were not calculated fairly. The root causes for this were a lack of correct planning on behalf of the factory and the fact that not all wage components

were being taken into account to calculate overtime payment. After the factory admitted that in peak season it is difficult to find new workers, it was prompted to plan with schedules not exceeding 46 hours a way was found to correct the calculation and factory management.

Most **health and safety issues** that were communicated to the factory were promptly solved. An audit is scheduled for 2017.



TUNISIA

Factory Code FWF System	Production share	Signed Code of Conduct	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2016	Audits or follow-up of audits from the past three years
9879	0,04%	X	X	X	X	X

In 2016 we started working with one factory in Tunisia, and covered 0,04% of our production. We followed up on an audit carried out in February 2016, where the management was present throughout the process and showed a cooperative attitude to check the conformance of the social management system.

Minor communication issues, like the lack of a suggestion box were found, and has already been implemented. **Health and safety issues** have been solved by the factory and an audit is planned for 2017.



3.5 COMPLAINTS HANDLING

Each of our factories must post the Code of Labour Practices of the Fair Wear Foundation in a visible place in the factory and in the local language of the workers. This document is called “Worker Information Sheet”, where rights are explained and workers may call a local number or write to a given email address for issuing complaints or denouncing irregularities in the factory. Complaints reach the FWF and are then notified to our CSR staff, who makes follow-up with the supplier until it is solved to the satisfaction of all those involved. The Fair Wear Foundation then publishes a report on its website, under <http://www.fairwear.org/506/resources/complaints> with the name of the member (brand) involved.

In 2016 we were able to close (in part) a complaint regarding union rights in Myanmar which we’d received at the end of 2015 (see above, under country analysis). The corresponding report was published on FWF’s website in November.

We also received three further complaints: two in China and one in Turkey, one which was solved, and two others which should be closed at the beginning of 2017.

The first one in China regarded the factory’s failure to pay wages to a worker who was asked to stay at home during “low season” production and called back to work four months later; we demanded that the factory pay her regular wages for this time and this was immediately settled, the report was is-

sued by FWF on 3 May 2016.

Another one in Turkey, regarding the factory’s failure to post FWF’s Worker Information Sheet in a visible place and discrimination in wage rises. Our last orders to this factory were made in May 2016 and then cooperation stopped; this meant that, notwithstanding many insistence from our side, the availability of the FWF’s Turkey Manager and our intermediary’s person in Turkey, the factory simply did not show any interest. The report for this complaint will be published in 2017.

The third one, also in China regards an alleged lack of compensation for paid leave. It reached us at the end of the year and should be resolved very quickly. The report should be issued within March 2017.



4. | REPORTING

Transparency is important, not only in gathering and publishing relevant data but also for effective stakeholder communication, inside and outside the company.

Awareness inside the Company is key. Our commitment in the upholding of workers' rights is a part of our corporate culture and therefore, information on our progress is shared with all employees twice a year in general meetings, and regularly through our intranet.

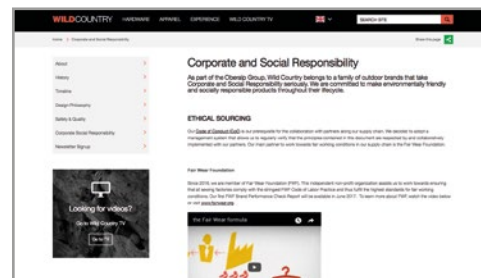
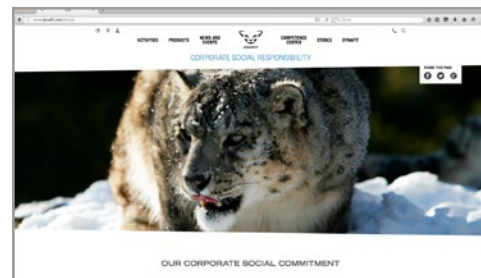
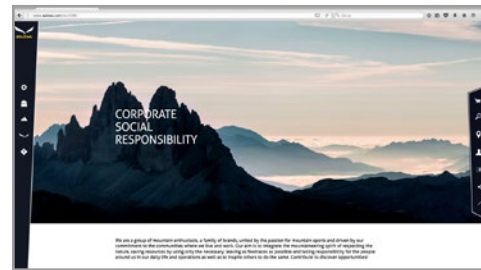
Careful planning and serious commitment are essential to making progress in the implementation of social standards in the factories. Regular meetings with our working teams in the divisions, and the results of FWF's evaluation through the yearly "Brand Performance Checks" are discussed with the General Managers and the CEO of the Company.

Outside the company, it is essential to highlight the importance of this issue to our customers and dealers. The sales representatives and managers of all brands SALEWA, Dynafit and Wild Country. Also the staff of our own shops are duly informed of our progress working with human rights in the supply chain, through presentations and reports in staff meetings, and from 2016.

Customers who visit our shops are also informed of our membership to FWF through wooden signs placed on our counter and if

they want to know more about what this entails, they can pick up a brochure in the local language.

We keep the public informed about our CSR activities through the brand websites of SALEWA (www.salewa.com), Dynafit (www.dynafit.com) and Wild Country (www.wildcountry.com), which are updated regularly.



A yearly balance of our efforts and progress in the implementation of our social standards is published through this Social Report. Also the Brand Performance Check, a yearly evaluation conducted by FWF to assess members' efforts and results in the pursuit to improving workers' conditions, is published on FWF and our website.

In 2016 our overall score was as follows:

CATEGORY	POINTS EARNED	POSSIBLE POINTS
Purchasing Practices	30	44
Monitoring and Remediation	27	30
Complaints Handling	10	15
Training and Capacity Building	11	11
Information Management	7	7
Transparency	3	6
Evaluation	6	6
Totals	94	119
Benchmark points	79%	
Performance Benchmarking Category	Leader	

With 80% of benchmark points and 93% of our factories monitored, we were congratulated by FWF on our performance during the year and achieved LEADER STATUS. But we were also encouraged to work even harder. In order to further improve in 2017, we will focus on keeping up our advanced level of Corrective Action Plan follow up, strengthening and developing our due diligence processes with a focus on risk countries, and continuing our work on root cause analysis on living wages. We are dedicated to making these improvements and will update you about our progress in our next Social Report. Both the Report and the Brand Performance Check are available on our websites and on FWF's. A look into the wider progress we make every two years is published in our Company CSR Report. The 2015 issue highlights the way in which each one of our divisions has been able to "Contribute" to making this commitment a reality. The new CSR Report, comprising the achievements of 2016 and 2017 is due to be published in 2018.

For more information on our Corporate Social Responsibility policy and projects see the websites of SALEWA, Dynafit and Wild Country.