



SOCIAL REPORT 2020



THE OBERALP GROUP AND OUR BRANDS	3
SUMMARY: GOALS, ACHIEVEMENTS & CHALLENGES	4
FAIR WEAR FOUNDATION	5
SOURCING	
Sourcing	7
Integrated Monitoring Activities & Sourcing Decisions	8
Supplier Relations	9
Production Countries	12
Production Cycle	14
OUR STANDARDS	
Code of Conduct	15
Ensuring that our Code of Conduct is implemented	16
AUDITING PROGRESS	
Ongoing challenges	20
Monitoring in 2020	21
A deeper look into the challenges and the most pressing issues: Covid-19 and wages	30
COMPLAINTS HANDLING	
The FWF complaints procedure	36
INTERNAL TRAINING & CAPACITY BUILDING	
Activities to Inform Staff Members	37
Activities to Inform Manufacturers & Workers	38
Partnership and collaboration	39
TRANSPARENCY & COMMUNICATION	41
2021 GOALS	42
ANNEX – FULL FACTORY LIST	43

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

2019 Oberalp acquires Evolv; an American brand for climbing shoes



2020 Oberalp launches a new mountain sports brand for women only



Headquartered in the heart of the Dolomites

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

Today, it owns six brands, **Salewa, Dynafit, Pomoca, Wild Country, Evolv, and LaMunt** and also acts as EU distributor for other internationally recognised sports brands.

2020 was another exciting and challenging year, more than ever. Holding the Fair Wear Foundation leader status since 2016 makes us proud, and at the same time it signifies an increased level of responsibility - not only to maintain this prominent status, but also to continue our duty to improve conditions in the factories. At the beginning of the year, we set different priorities to better fulfil the recommendations suggested during the Brand Performance Check of 2019 and to achieve even higher results. We planned to limit our tail-end and focus more efficiently and effectively on improving working conditions. We decided to go deeper into the monitoring and remediation by putting more effort into developing tools and launching pilot projects. The aim was to better detect and analyse the root causes of the current situation of wages and overtime. We also considered as a priority raising workers awareness about rights, their understanding of pay-slips, and other specific issues.

The plan was clearly set out and we started off by scheduling audits, training sessions, and other activities to continue progress on the long-term goals in our Social Compliance policy. However, our plans changed abruptly with the arrival of the pandemic. In February, the Covid-19 virus, which originated in China, started to spread all over Europe. Italy was one of the countries hit first and hardest during the first wave, and the Oberalp Group faced uncertainty and many restrictions from the beginning of March. There were no other European companies to learn from in dealing with the new and unstable situation, so we created our own path. We shifted the focus to more urgent needs: assuring our suppliers that we are a reliable business partner even in these uncertain times, and ensuring that they too provided stability, safety, and security to the workers in the factories. In the following months, many challenges and difficulties came up, but we never stopped and we have never abandoned our suppliers in this difficult period, because we are in this together.

Notwithstanding the hardships, we were able to actively monitor 93% of our FOB volume, and we made important progress in a project we started in 2019 with a larger company (non-FWF member) to audit and remediate collaboratively.

We also worked on the findings listed on the Corrective Action Plans provided jointly with the audits conducted in the last three years. Solving non-compliances in this difficult time was made easier by the maintenance of longer term relationships with our suppliers (5 years or more), which made up 75% of our FOB volume.

We did not forget about one of the major issues of the global supply chain: living wage. During the year, we continued gathering data to get the overall picture of wage levels in our production locations.

Along with it, we continued our work on the extensive cost breakdown calculations per style created by our costing department, to make sure that the prices we pay for our products allow factories to pay workers a living wage.

Achieving a living wage for all the workers across the supplier network is not an easy task. Many obstacles are on the way, but this is our goal. It is only possible with the joint and cooperative work among our sourcing, QC, Sustainability teams and suppliers. We 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 this issue.

Another great achievement we have in 2020 regards transparency. We updated the Salewa Transparency page, where we share our commitment and specific information about the factories we work with, by making it easier to navigate and clearer.

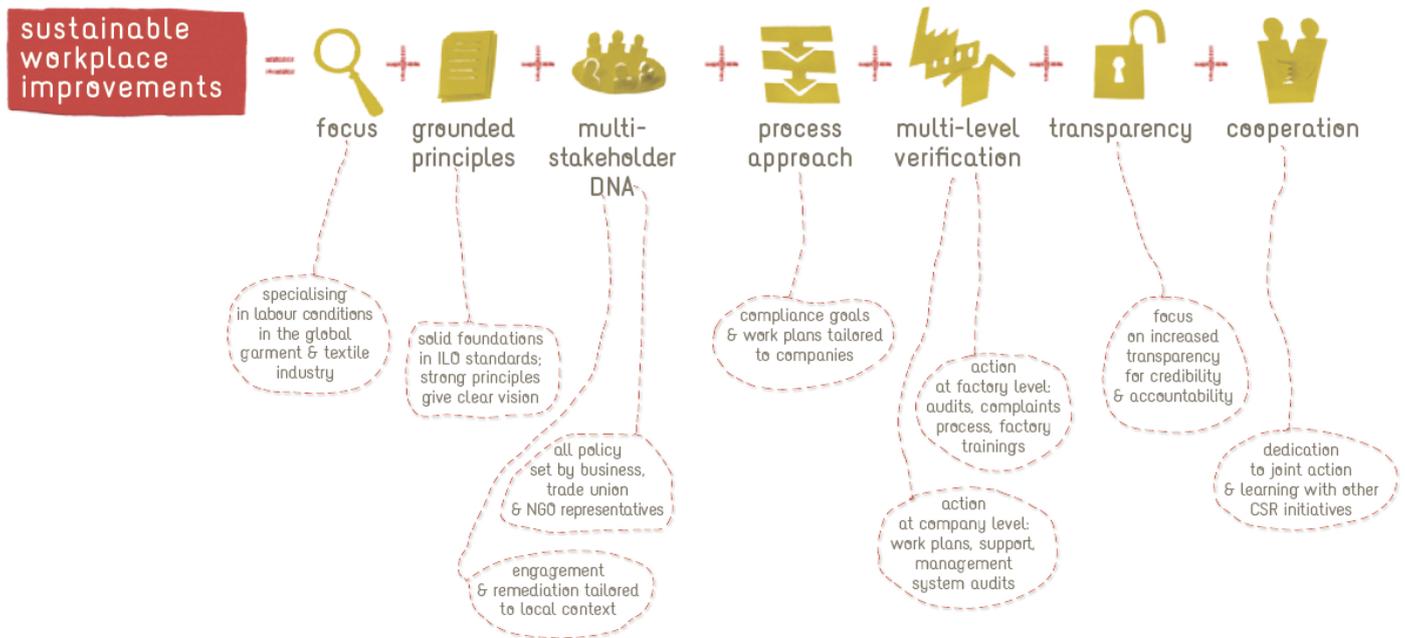
Last but not least, at the end of 2020, the Oberalp group launched a new brand: LaMunt. It means “the mountain” in Ladin, a reto-romanic language that has survived in the Dolomites. It will be a very small brand making only women’s products for mountaineering. It is created and will be managed by Ruth Oberrauch, member of the Board of the Oberalp group, Head of Sustainability and seriously committed to improving social standards in the factories – she was also the person who signed the first membership agreement with FWF. LaMunt became a member of Fair Wear from the outset, sharing the Social Compliance team and verification system of the Group. And making sure that the products of the brand come from factories that are committed to providing dignified working conditions, and improving where needed.

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' well-being in the factories is Fair Wear Foundation (FWF). Dedicated to transparency and improving working conditions in our supply chain, Oberalp has been a member 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.

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:



Source: Fair Wear Foundation



SOURCING

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

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

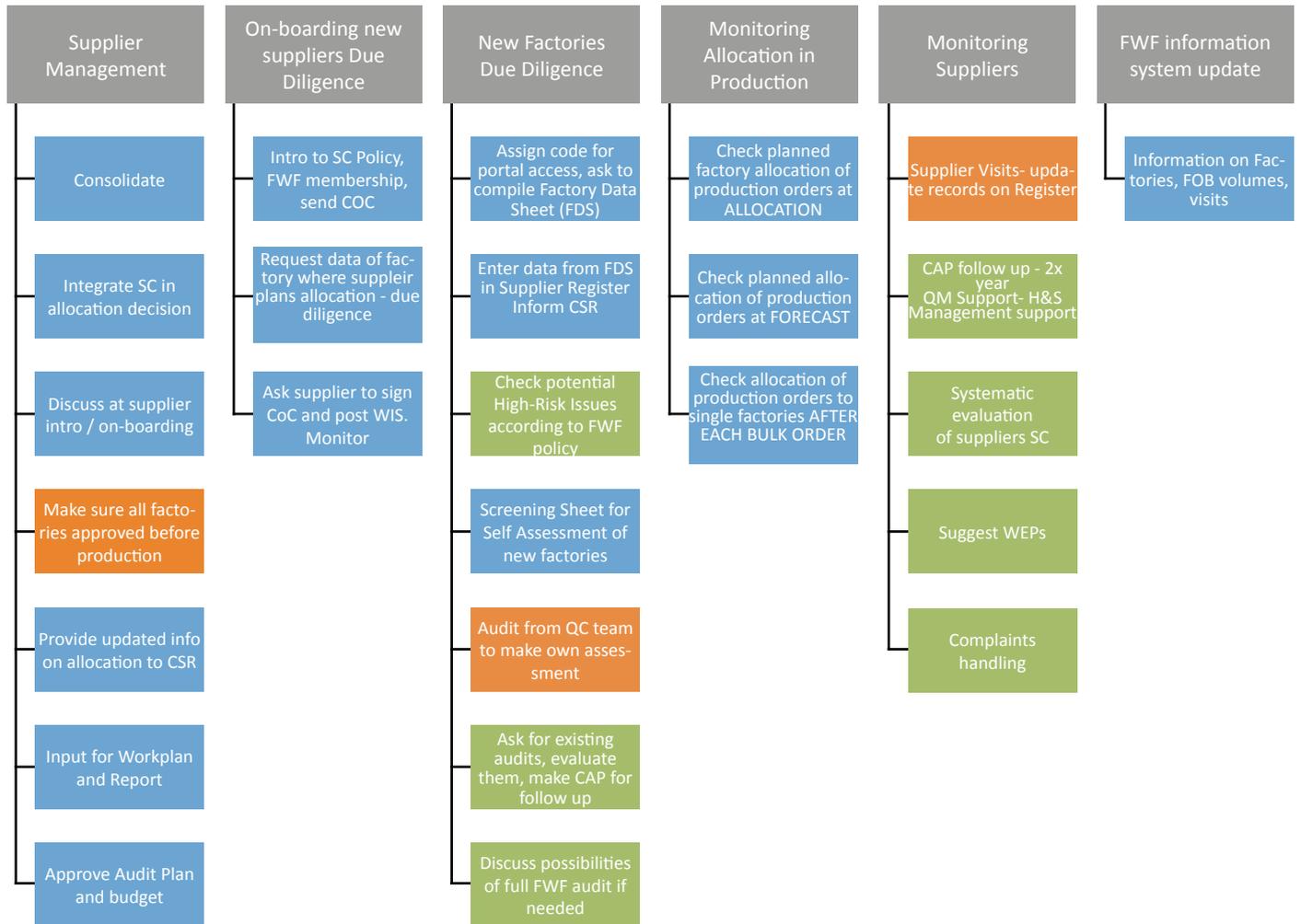
Our 2 Key Divisions

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

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

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

Integrated Monitoring Activities & Sourcing Decisions



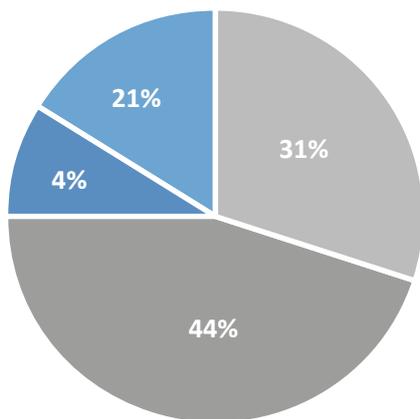
Sourcing
Planning
Purchasing
Quality Management
Sustainability

Supplier Relations

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

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

In 2020, $\frac{3}{4}$ of our total FOB volume came from factories where we hold long-term relationships



	2017	2018	2019	2020
More than 10 years	31%	41%	30%	31%
5 to 10 years	42%	33%	45%	44%
2 to 4 years	22%	21%	9%	21%
1 year or started in 20	5%	5%	16%	4%

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 several different reasons, or a combination of different factors. In some cases, it is motivated by our own quality or technical requirements, or in others, we have to replace a supplier who did not meet our standards. Existing suppliers are evaluated at least twice a year on all aspects of their performance including: results obtained in audits and monitoring, cooperation to observe corrective action plan remediation, the implementation of our CoC, quality performance, and timeliness of deliveries.

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

There are also instances where the decision to begin cooperation with a new supplier is not of our initiative, and this may happen for three reasons: our partners may shift their production by opening new factories, close down their facilities or end the business relationship with us.

In 2020, we started working with 9 new factories.

In 3 cases, it was our supplier's decision to allocate our production in other facilities. The most striking example concerned one supplier that enabled us to start working with an emerging country. The reasons for the start of all other new business relations were the need for new technical partners, the termination of our collaboration with other suppliers, strategic decisions for the consolidation of other factories' production and more favourable economic terms.

All factories we on-boarded in 2020 fulfilled our due diligence requirements

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

- Sign our CoC 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;
- Bangladesh: show serious commitment to guaranteeing workers safety in the factory by agreeing to our 'Bangladesh sourcing policy'. Even if the Accord on Fire and Building Safety is no longer active, factories must keep working on the CAPs findings.

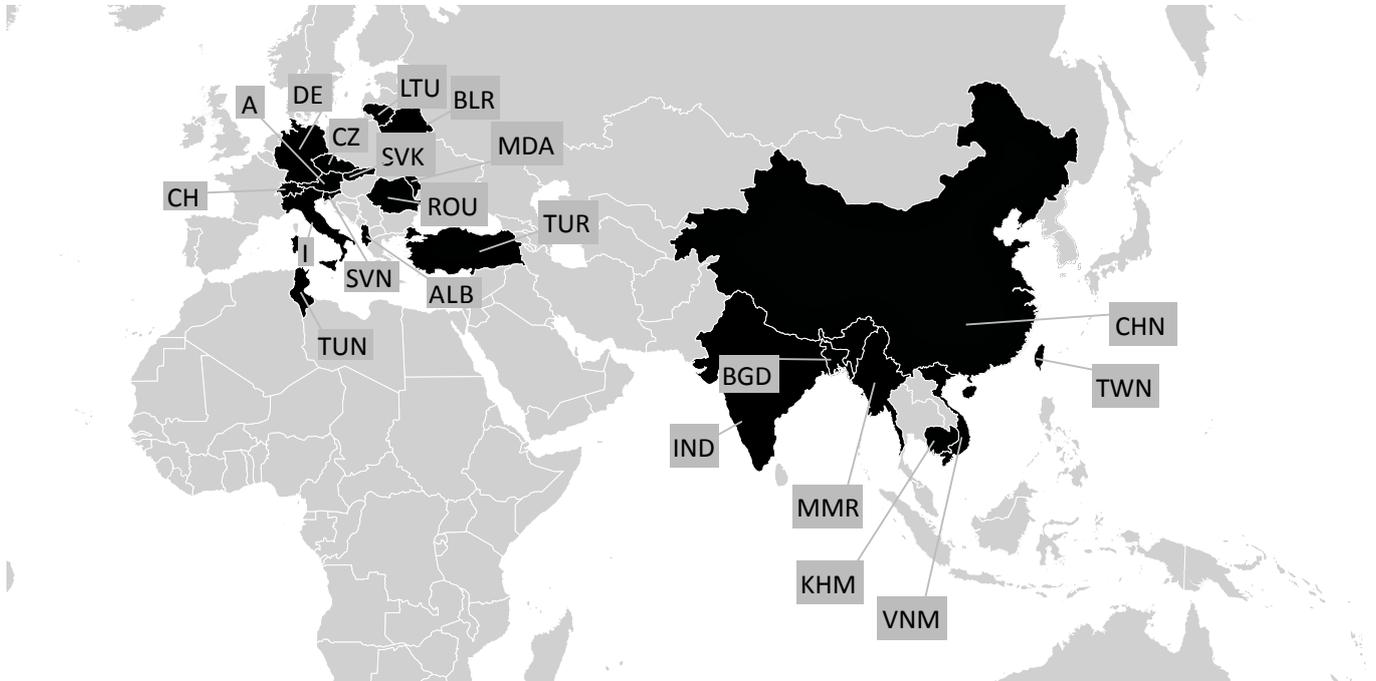
Ending collaboration with suppliers - Between 2019 and 2020, we ceased sourcing at 11 factories. In one case, it was the supplier's decision to allocate our production orders elsewhere. For the other 10 factories, the motives for ending the cooperation are linked to our wish to consolidate the allocation of our products or the supplier's difficulties to meet our requirements. Before phasing-out from a facility, we try to find a common solution to continue the collaboration, but in some cases the only possibility is to terminate the partnership. When it happens, we communicate our decision to the supplier enough time in advance and to make sure that our choice to move elsewhere does not have a notable negative impact on the workers.

Consolidation - Our supply chain consolidation remains central to our sourcing strategy. Having less suppliers enables us to achieve two key goals: improve the quality of our communication and follow-up in the factories, and an increase in our influence, leading to a greater chance of successfully making changes for good in the workplace. During the pandemic it was hard to continue working toward this goal. We did not cancel any orders even though some factories were closed, their capacity was reduced or they were obliged by their local government to stop making our orders and concentrate on the production of PPE for fighting the health care crisis. To face these "production gaps" and release the pressure from the factories, in agreement with our suppliers we were able to find new facilities. Despite that, we were able to keep the number of our production locations stable: 66. It was possible thanks to the consolidation work done between the end of 2019 and the beginning of 2020.



Photo – Factory 5843 in Bangladesh

Production Countries



In 2020, our production took place in **20 countries** across the globe.

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

High-risk: Albania, Bangladesh, Belarus, Cambodia, China, India, Moldova, Myanmar, Romania, Taiwan, Tunisia, Vietnam

76% of our factories are located in these countries

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

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

24% of our factories are located in low-risk countries

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

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

In 2020 our products were made in the following countries:

High-risk:

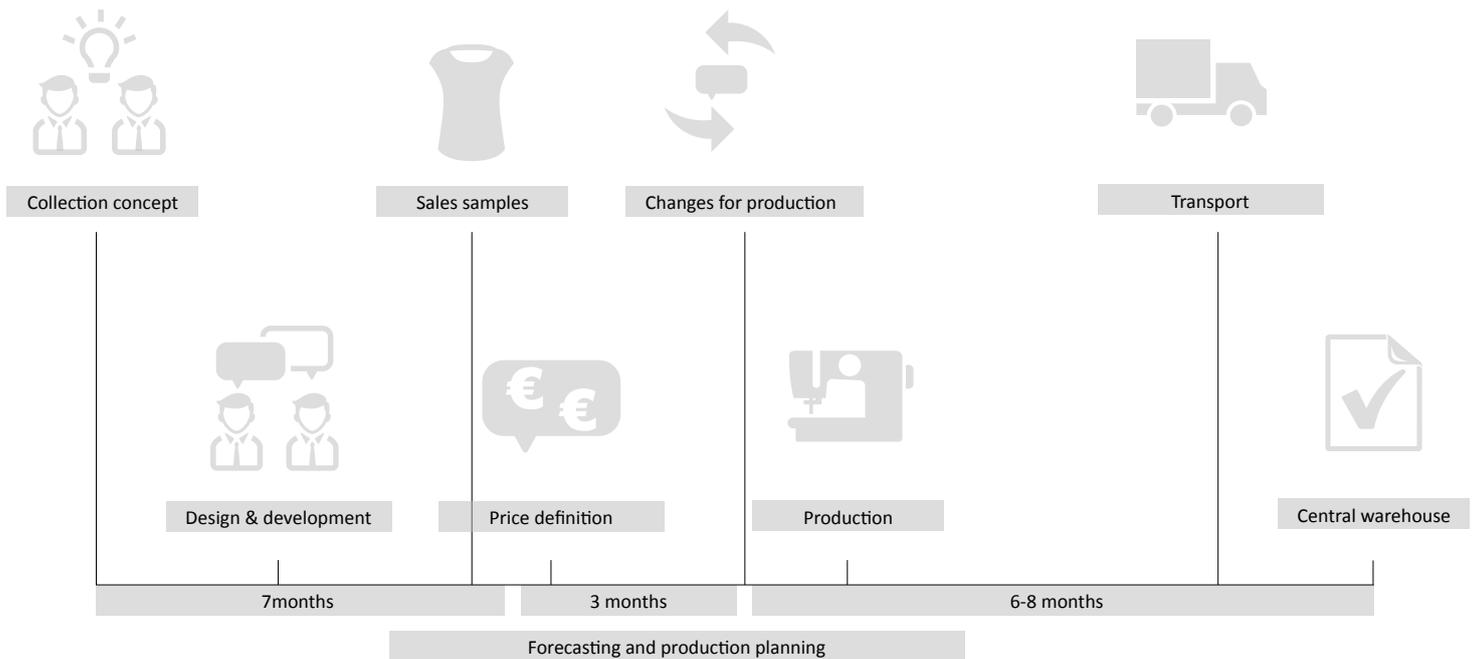
Factory country	Percentage of our total FOB	Number of factories
Albania	0,83%	3
Bangladesh	14,14%	4
Belarus	0,43%	1
Cambodia	0,82%	1
China	17,20%	21
India	0,93%	3
Moldova	0,01%	1
Myanmar	3,61%	2
Romania	13,29%	3
Taiwan	0,01%	1
Tunisia	0,69%	1
Vietnam	31,14%	9
TOTAL	83,10%	50

Low Risk:

Factory country	Percentage of our total FOB	Number of factories
Austria	0,04%	1
Czech Republic	1,03%	1
Germany	0,03%	1
Italy	13,06%	7
Lithuania	1,52%	3
Slovakia	0,02%	1
Slovenia	0,35%	1
Switzerland	0,86%	1
TOTAL	16,09%	16

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 (2020)
Chinese New Year (China, Vietnam)	24-31 January
ISPO fair	26-29 January
Ching Ming Festival (China)	04 - 06 April
Easter	12 April
Thingyan Festival in Myanmar & Burmese New Year	12 - 20 April
Golden Week (Japan))	29 April to 06 May
Eid ul Fitr (Bangladesh)	20 - 26 May
Aid El Fitr (Tunisia)	24 - 26 May
Dragon Boat Festival (China)	25 June
Outdoor ISPO	28 June to 01 July
Aid El Kebir (Tunisia)	31 July to 02 August
Eid ul Adha (Bangladesh)	31 July to 03 August
Golden Week (China)	01 - 07 October
Mid-Autumn festival (China)	08 October
Water Festival (Cambodia)	30 October to 01 November

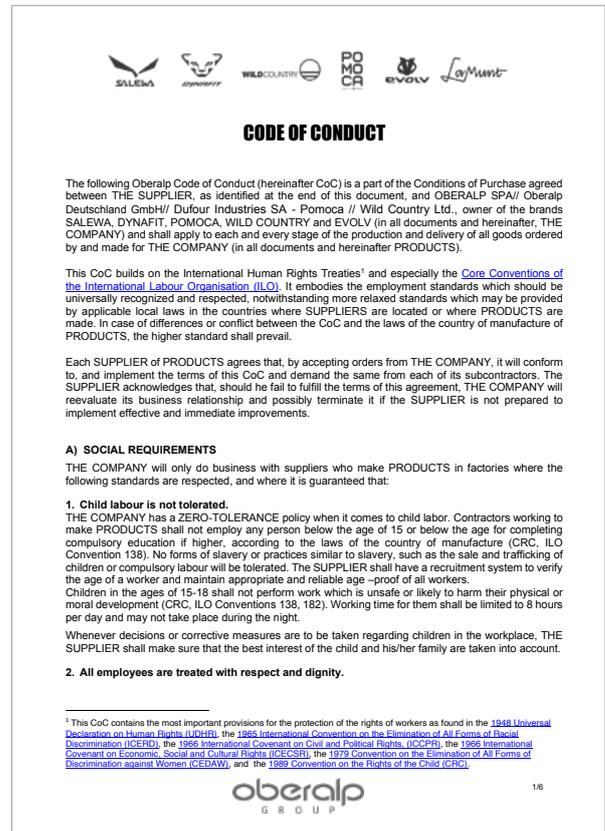
Code of Conduct

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

Our Code of Conduct

- Child labor is not tolerated
- All employees must be treated with respect and dignity
- Employment must be based on ability and no discrimination is tolerated
- Employment must be freely chosen
- Payment of a living wage must be guaranteed
- Hours of work must be reasonable; overtime exceptional, voluntary and duly paid.
- Working conditions must be decent and safe
- Freedom of association must be guaranteed
- The employment relationship must be 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.



Ensuring that our Code of Conduct is implemented

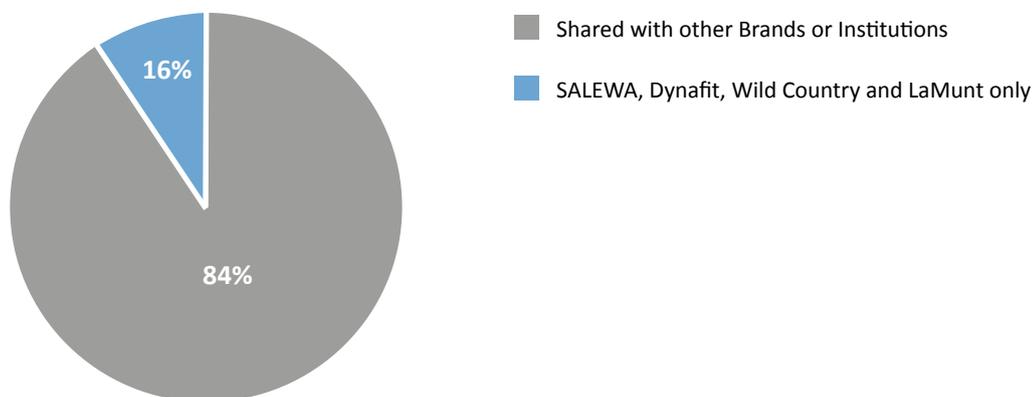
Social compliance and participation within the framework of our partnership with FWF is one of the key focus areas for our Sustainability team. We maintain a dedicated staff to manage these activities and respond to complaints immediately when they arise. Likewise, members of our quality control team,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

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, by following up on one single corrective action plan thus slimming the organization and ‘paperwork’, by having one brand on behalf of all the sharing ones 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 2020, **84%** 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 FWF’s Code of Labour Practices with the 8 labour standards and complaint hotline contact information
- Be open to regular social audits, either by FWF or an external auditing body as requested by us
- Continue in a post-audit dialogue with the brand via Corrective Action Plan (i.e. CAP, with steps for remediation and timeline for action)
- Be prepared to make staff and workers available to participate in training sessions organized by us and carried out by FWF or other recognized organizations (Worker Education Programmes or trainings). These are valid for three 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 our orders make up 10% or more of the production capacity, with no valid audit

Facilities in Myanmar or Bangladesh, with no valid audit

Facilities with recent complaints from workers or special challenges

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

- Since 2015 we have conducted 21 worker trainings in factories in Bangladesh, China, Ethiopia, Myanmar, Romania, and Vietnam

A summary of our monitoring in factories in High-risk Countries

Country*	Number of Factories in the country	Number of facilities audited 2018-2020 and follow up through corrective action plan	Percentage of our volume in the country covered with audits
Vietnam	9	8	97,8%
China	21	10	76,8%
Bangladesh	4	3	92,5%
Romania	3	2	99,8%
Myanmar	2	2	100%
India	3	2	64%
Albania	3	0	0%
Cambodia	1	1	100%
Tunisia	1	0	0%
Belarus	1	0	0%
Taiwan	1	1	100%
Moldova	1	0	0%

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. In the factories not covered by audits we have conducted our own assessment.

The internal audit process has been delayed for the collaborations started in 2020.

This year, visiting the factories was not easy. The reasons that prevented us from inspecting and being present in the factories were the restrictions changing every day, factories shutdown or with limited access to indoor facilities, and the closure of national borders.

Despite that, we were able to visit all the factories in Vietnam, India, Tunisia and Bangladesh.



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 2020, between **Low-risk**
and audited factories
we covered
93% of our **FOB value.**



Photo – Factory 12454 in Bangladesh

Ongoing challenges

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

Another significant challenge continues to be a fragmented supply chain, where, for some lines, we produce in many locations and with relatively small volumes of production in regard to the factory's entire capacity. This translates into having little negotiating power, 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.

This year, we were obliged by causes of force majeure to put the "root-cause analysis project for reducing overtime" on hold. Factory closures during the pandemic would have nullified our effort or at least limited the positive effects of our work. Thus, we decided to work more closely on the pressing needs: to provide stability, safety, and security to the workers in the factories. On the other hand, we continued working on living wage. While audits show that the prices we pay are certain to contribute to wages well above the legal minimum wage, efforts to reach a living wage remain on-going. The means of assessing a living wage is complicated and requires a comprehensive overview of the costs of living relative to each of our factory locations. Reliable data is difficult to obtain, among other factors because, understandably, workers have different needs and expenses according to their usual living standards and expectations. Additionally, development and economic conditions evolve and consequently data changes, making our analysis all the more difficult.



Photo – Factory 5843 in Bangladesh

Monitoring in 2020 – new audits, progress on Corrective Action Plans and deeper analysis on the more pressing issues

Of our textile production in 2020, 83,10% was located in high-risk countries and therefore, under strict monitoring. In total, we produced in 20 countries around the globe and 12 of them are in high-risk locations. We had valid audits in 8 of them: Bangladesh, Cambodia, China, India, Myanmar, Romania, Taiwan, Vietnam. In 2020, we covered 92% our purchased volume by auditing or following up on audits performed between 2018 and 2020.

In 2020, we commissioned audits to FWF in Bangladesh, China and Vietnam, covering 28,60% of our production volume for the year. The percentage raises to 31,35% when external parties audits are considered.

Despite the difficulties we faced in 2020, we managed to achieve an important goal: together with other outdoor brands, we were able to consolidate an "Audit Alliance", aimed at expanding our social monitoring to technical hardware factories. Towards the end of the year, we were able to jointly audit 2 facilities in Taiwan (see chapter on Partnership and Collaboration).

The following is a summary of the findings of these audits in the context of each country. This will be followed by an overview of the progress of Corrective Action Plans from previous years' audits not conducted by FWF in the other "High-risk" countries where our products are made.

Fair Wear Foundation Country Studies and specific information regarding Covid-19, and ILO researches have been fundamental to enriching the overview of each country presented in the next pages with data and grounded information.

Last, we will provide a deeper analysis on the two central issues and challenges we faced in 2020: Covid-19 and wages.

2020 Audits

Bangladesh

Bangladesh is the second-largest manufacturer of apparel in the world after China and garment production is one of the most significant industries fuelling economic growth, equalling 80% of the export



value. The estimated number of garment factories in the country is around 4800.

Most big garment retailers produce in Bangladesh, and their relative weight in the local economy is large compared to ours. Nevertheless, we take responsibility for our part and invest substantial resources in strengthening our bonds with the factories, transferring knowhow and technology, and in terms of our due diligence and social compliance work.

Soon after the first wave of the pandemic, the garment industry saw a decline due to decreased orders.

Despite this drop, in 2020 our own production in the country increased by 60%, equalling 14,14% of the total FOB spread over 4 factories. We broadened the partnership mainly with one of our existing partners and we involved the supplier in a special project.

In January 2020, we went to Comilla (Bangladesh) to see and film the reality of a factory that produces our items. We wanted to go to the origins of a product that respects the concept of sustainability. When we decide who we partner with, we pick factories who are seriously committed to providing safe working conditions and making improvements where needed. But when the film crew entered the factory after travelling 3 weeks in the country, they were positively surprised. They had seen the hardships endured by a large part of the population, including the difficulties to access clean drinking water and dignified working conditions; and at Kadena, they found an organised "oasis" where people have been able to improve their living conditions, and work in an environment where they truly respect one another.

A few weeks after the filming of the movie, everything changed for the country and for the rest of the world.

We didn't stop monitoring the factories in Bangladesh, we even strengthened our efforts. Garment production is such a relevant part of its economy and this sector continues to be one of the most at risk for workers in terms of health and safety in the workplace, harassment, excessive overtime, low wages, unauthorized subcontracting, and the lack of mechanisms for collective organization and healthy social dialogue.

We collected the most pressing issues highlighted by NGOs and we asked our suppliers to share their feedback.

It was reported by several organisations that factories in Bangladesh had struggled to pay both Eid al-Fitr and Eid al-Adha (local festivities) bonuses. We were worried that our suppliers couldn't pay the workers the total amount, but fortunately we were able to have their

confirmation that this was not the case.

The second set of questions was related to the revision of contractual conditions to the disadvantage of workers' interests, and the increase in cost of living. Our suppliers stated that their contracts complied with legal requirements and that living costs were not increasing. We are aware that calculating these costs is not that easy and even if they didn't increase during the first lockdown, they could go up afterwards. This chapter has not ended, and we will continue monitoring the situation.

Last but not least, we checked on the existence of functioning unions, their involvement in the evaluation and implementation of Covid-19 related measures, and on the potential increase in workers complaints. Some suppliers have stronger unions or representatives, and good mechanisms in place for internal communication others don't have a system in place, but no unrest happened in the factories where we are sourcing. This feedback made us realise that next year we should channel our energy towards augmenting the awareness of FWF's CoLP #2 "Freedom of association and the right to collective bargaining". Our suppliers didn't experience any increase in the number of the complaints and none of them were linked to Covid-19. For one supplier, the number of complaints linked to harassments decreased during the pandemic.

Besides the specific sets of questions for understanding and minimising the effect of the pandemic, we continued the standard monitoring by commissioning FWF to perform an audit in the factory where the short movie was filmed. The audit was carried out in October and according to FWF team, the factory management cooperated by being supportive, sincere, and transparent.

As soon as we received the report of the two-day audit, we started discussing and collaborating with the factory to solve the findings. The management was receptive and committed to take corrective and preventive actions. During the audit, 41 issues were found, and we are glad to say that 7 of them were solved in the following month. We are constantly working with the factory to solve the other issues, one of the most urgent of which is the apparent non-payment of legal minimum wage. Sixteen workers were hired as effectively worked as "helpers". "Trainees" or "apprentices" receive lower salaries than "helpers", and Fair Wear considered this a risk of non-payment of the legal minimum they were entitled to. The factory changed their status according to the work they effectively perform, but we are still asking the supplier to set a policy to match the status of workers with the tasks performed and pay the wage gap of the past months.

Another goal we have set ourselves is to increase the awareness of workers about health and safety, and conditions of employment.

A point not strictly related to the audits conducted in Bangladesh, but related to Due Diligence, concerns the Accord on Fire and Building Safety. It was a legally binding agreement designed to build safer working places which was launched by trade unions and brands in May 2013 after the Rana Plaza factory building collapse. In April 2018, the High Court in Bangladesh issued a restraining order on the Transition Accord, resulting in the ceasing of operations on May 2020. On June 1, 2020 the functions of the Accord transitioned to the RMG Sustainability Council (RSC), a not-for profit organization established and governed by global apparel companies, trade unions, and manufacturers (the Bangladesh Garment Manufacturers and Exporters Association (BGMEA)) to ensure that the safety progress achieved by the Accord since 2013 is sustained and expanded. The RSC inherited all operations, staff and infrastructure of the local Bangladesh Accord office and began to operate, a permanent safety monitoring and compliance body in the RMG sector in Bangladesh. We have integrated this new requirement in our Sourcing Policy, and we asked our suppliers to continue to work on the outstanding issues of the CAPs to exclude issues of structural risk.

China

China remains unrivalled as the largest producer and exporter of textiles and apparel in the world. Its importance in the global context was proved once again during the pandemic. When the Covid-19 outbreak began in China, its impact was felt across the entire apparel and textile sector. Even though other countries were not yet directly impacted by the virus, they suffered the consequences linked to delays and lack of materials.

Already before the pandemic, dynamics in the Chinese manufacturing sector have gone through rapid and dramatic changes, including labour shortages, fast-changing workforce, and transition to higher-end manufacturing. This can be attributed to a number of factors.

On the one hand, oversupply at home, higher labour costs and the global increase of protectionism have reduced Chinese competitiveness. On the other, the Chinese government has enacted policies aimed at diversifying the economy, increasing the manufacture of innovative products, and improving living standards of workers.

The result was the growth of manufacturing expertise in the sector

of technology, contrasted by the closing of many garment factories. In recent years, wages, employment laws and overall working conditions improved. However, despite these positive changes, Chinese factories are often in the spotlight when it comes to the labour conditions of workers. Wages are still too low, overtime exceeds legal requirements, social insurance is lacking, and freedom of association remains restricted by law.

Since it is also one of our key objectives to guarantee that the people who make our products can work in decent conditions and earn fair wages, we have increased our efforts towards monitoring and following up corrective measures in the factories.

In 2020, it also remained our largest sourcing country not in terms of FOB volume but in terms of the number of factories we worked with. Our supply chain is fragmented, our production is spread across many factories, some of them quite small: 17,2% of the volume split into 21 factories means the average FOB we had per facility was 0,82%. This is a challenge for the quality of our communication with the supplier and consequently, our monitoring and remediation efforts. Our long-term sourcing strategy to consolidate the supplier network and relocation to a more stable economic environment for our products remains in progress, and will surely help to ameliorate these issues.

After sourcing in 73 factories in China in 2015, we reduced the number of facilities to 51 in 2016, then further down to 38 in 2017, in 2018 we concentrated our production in 32 factories, and in 2019 we produced in 25 facilities. In 2020, we achieved a further 16% reduction, working with 21 factories.

Even though we continue to make progress in shrinking our supplier base, at 21 it is still quite large, and our efforts continue. A particular challenge here is to carry out consistent monitoring in the smallest factories: subcontracted by our business partners (i.e. we have no direct relationship with them) on an on- and-off basis, with anywhere from 18-40 employees, where we have very small volumes but make up a considerable portion of the production capacity, an official or full audit is neither feasible in the short term nor practical in the long-term.

This was the case for 10 factories which together made up a total 3% of our FOB. In agreement with FWF, our QC team conducted 'Basic Health and Safety' checks with FWF's or with our internal auditing system, and we made a close follow-up of the findings we encountered (see "Tail-End" in the monitoring overview per country at the end of this report).

This year we commissioned one audit in China to FWF and for Covid-19 reasons we were forced to cancel another one. Thanks to the verifications conducted in the last three years, we covered more than 75% of our total production in the country, making up for nearly 13% of our total FOB.

The audit was conducted at the beginning of July in a factory which had been previously audited by FWF in 2016. Despite our efforts and the factory's improvement, we still have a long way to go. 21 findings were recorded, 13 of them were unsolved from the previous FWF audit conducted 5 years before. In line with other monitoring reports in the country, FWF found issues connected with excessive overtime, insufficient wages, no awareness on the freedom of association, and health and safety.

As for overtime and wages, the auditing team reported that at the beginning of the meeting, the management provided incorrect attendance and payroll records. The team had to explain the purpose of the audit and FWF approach to get transparent information.

Another big issue in the country is excessive overtime. We are aware of how our purchasing practices are reflected in workers' salaries and how our orders could lead to overtime, so we have developed reasonable purchasing practices. In fact, the FWF auditors found that our order prices are reasonable and the lead time allowed for production does not contribute to workers' excessive overtime. We don't place

urgent orders that can put the factory under unnecessary stress and we confirm samples in a timely manner to enable smooth and efficient product development.

The only way to achieve real improvement in working conditions is by being consistent and determined.

One of the most pressing needs in China concerns freedom of association, but despite law restrictions we are working to help workers raise their voices. In the past years, we supported the factory in creating grievance mechanisms and the results of our effort was highlighted during the audit. Now workers are able to file a complaint via suggestion box and mobile phone, or by verbally reporting it to the management, and the factory provides the solution in a week.

In the meantime, a few findings linked to health and safety can be solved more quickly. They concern PPE and safety guards on machines, fire fighting equipment, evacuation plan and signage.

We are still discussing the other findings with the factory in order to find a solution.



Vietnam

In recent years, Vietnam has become an important country for the production of outdoor apparel, particularly for footwear, and it currently ranks as one of the top five global garment-exporting countries. As for the rest of the world, Covid-19 had a severe impact on Vietnamese economy and society. The country has been doubly affected by the pandemic, at the beginning for the shortage of raw materials imported from China and then for the order cancellations from buyer brands. The garment industry faced falling export turnover, job loss and wage reduction for a part of the 2.5 million people employed. Despite that, Vietnam remains one of the countries which continued to grow in 2020, but slower than the past years.

In last years, Vietnam made some progress on labour rights, ratifying International Labour Organisation (ILO) Convention 98 – on collective bargaining - and 105 – on the abolition of forced labour - and it plans to ratify ILO Conventions 87 – on freedom of association - by 2023. The resulting version of the new Vietnam Labour Code (November 2020) creates an improved legal framework for working conditions and brings Vietnam's legislation closer to international standards.

Specifically, the changes are:

- Workers at enterprises have the right to join or form a representative organisation of their choosing
- Definition of sexual harassment in the workplace
- Women are no longer prohibited from doing certain jobs
- Legal protection is extended to employees who do not have a written employment contract
- Better protection from antiunion discrimination and interference in unions
- Clearer processes and encouragement for collective bargaining
- Better protection against forced labour and debt bondage
- Clearer rules on the employment of minors at different ages
- Retirement age to increase in small step from 2021
- Extended coverage and increased professionalism in labour mediation and arbitration

To help suppliers in understanding new wages policies amended in the new Vietnam Labour Code, FWF organised two seminars. We shared the invitation with our partners and they gladly attended the events.

In terms of our own supply chain, Vietnam is where most of our FOB comes from.

In 2020, 31,14% of our total FOB was made in 9 Vietnamese factories. 97,78% of our volume generated in the country is covered by third party audits. We are currently on FWF audits, almost all made by FWF. The 2 audits we conducted in 2020 covered almost half the volume we produced in the country.

The first factory had previously been audited in 2014 and 2017, and the 2020 audit was conducted in August.

In the last 3 years, we have continuously worked together with factory management to improve working conditions. We discussed and updated the CAP every 3 months and in almost all the quality control visits to the factory, our representative checked and discussed pending issues. In the 2020 audit report, it was highlighted that the factory had made great progress, such as improving the internal disciplinary procedure, settling severance payment to resigned workers within 7 days as required by law, providing safety training to all workers, providing ergonomic chairs for pregnant workers, etc. Moreover, it was found that the factory pays workers higher than the legal minimum wage and provides fringe benefits such as accident insurance, free meals, and subsidized kindergarten.

The auditors found 7 issues, concerning living wage, communication and health and safety. This means that we still have work to do, but we are also satisfied to see that our common efforts paid off.

The factory was significantly impacted by the pandemic and had to reduce its workforce due to clients pulling their orders. We did not cancel any of our orders and we have supported the factory as we could by being flexible in shipment accepting delays and paying invoices on time.

The second factory was audited in 2014, 2017 and October 2020. We received the audit report on December 21; thus, we couldn't start working on the CAP findings in the same year. We are sharing the factory with 4 other FWF brands and we are planning to join forces to get higher results in improving working conditions.

The auditing team found some good practices in the factory,

concerning kindergarten, free meals and the factory's wage policy that provides many bonuses and payment higher than the legal minimum wage. Moreover, workers are aware of the labour standards and the complaint mechanisms.

We are planning to print and distribute Worker Information Cards to employees so they can have easier access to the hotline number even during pandemic times.

In the last three years, the factory has improved the non-compliance points on the CAP of the previous audits, but still 2 of them were reported as not improved, 3 as partially improved and 8 new findings came up. The main issues in the factory concern freedom of association and social dialogue, living wages, working hours, and medium priority health and safety issues.

The mutual intent for continuing the collaboration on improving working conditions is still strong and we are glad that all the parties involved are committed.

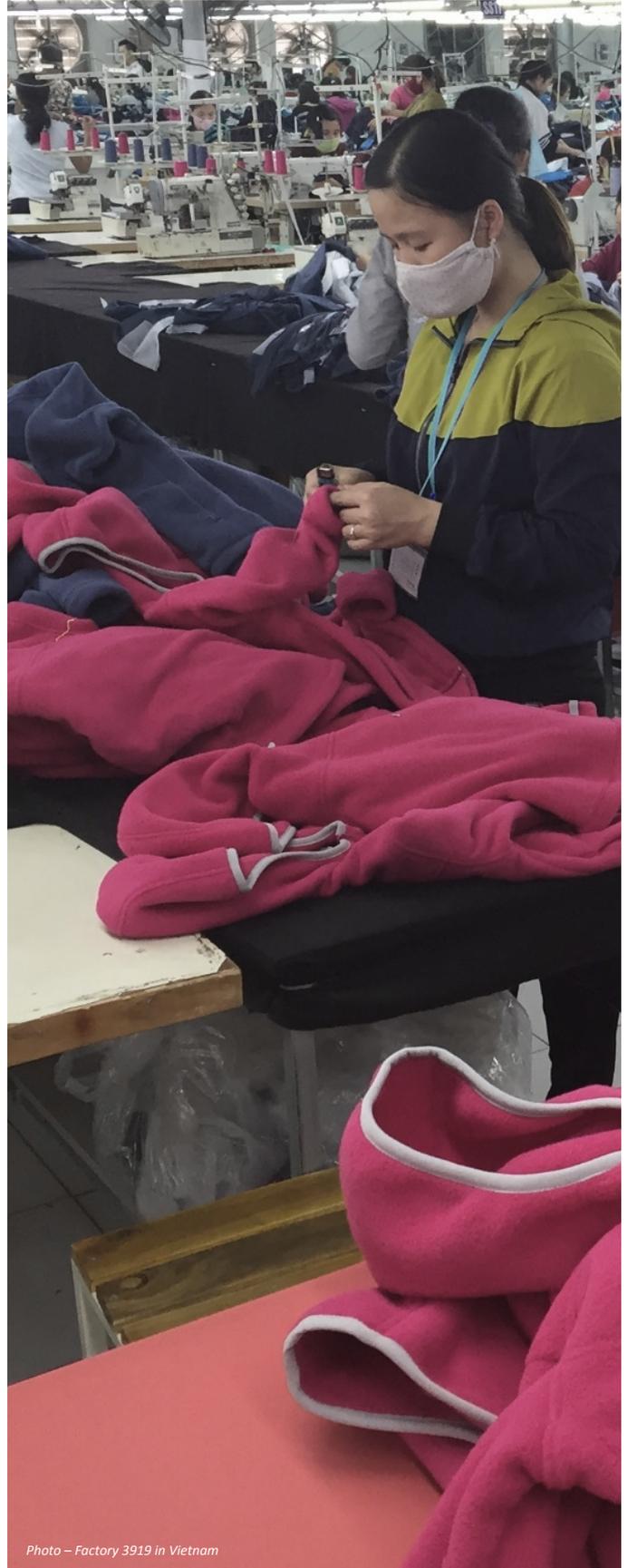


Photo – Factory 3919 in Vietnam

Corrective action plans of previous audits

Analysis per country

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

Some issues may be solved in relatively short timelines, but others, requiring management or company cultural changes, require

deeper analysis, longer planning and extra time for implementation. Therefore, we follow on audits up to 3 years on, after which a new audit is done to look at the whole picture again.

In the last year, we actively followed-up on 24 audits done prior to 2020, covering the 43,67% of our total FOB. The following per-country analysis is a summary of the progress we made in remediating outstanding issues from those audits.

Cambodia

One of our partners has a factory in Cambodia, where 0,82% of our volume is produced. Our supplier is committed to implementing our CoC and FWF's Code of Labour Practices.

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

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

Some findings regarding freedom of association, working hours, and forced labour are still pending. In 2020, we placed an order at the facility only after having the confirmation from the factory that they would complete the production within normal working hours, i.e. without asking workers to perform overtime..

Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
7218	0,82%	EXT SUM 2018	21	-	10	-

India

India is the second largest exporter of textiles and apparel, with a massive raw material and manufacturing base. The industry employs about 45 million people throughout the country and it has been estimated that one every six households depends on it.

When our apparel purchasing department decided to re-open the possibilities for sourcing in India, they worked closely with our Sustainability department on the due diligence issues specific to this

country. The main barriers to fair employment are due to excessive and forced overtime, lack of formal working contracts and home-based work, low wages, few trade unions, gender inequalities, sexual harassment. Before starting the collaboration with the factories, our Quality Control team visited them for both the standard checks and the enhanced monitoring to evaluate the risk of child and home-based labour, and the Sumangali scheme contracts, resulting in excessive overtime, forced labour and harassment.

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
15220	0,11%	EXT BSCI 2019	34	-	-	-
15309	0,48%	EXT SA:2019 Bureau Veritas	-	-	-	-

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 and FWF members are required to follow a strict due diligence protocol. Garment workers in Myanmar often endure low wages, long working hours, denial of freedom of association and collective bargaining rights, and incidents of verbal and sometimes physical abuse. There is also a High-risk of child labour.

Myanmar’s garment industry has grown rapidly since 2011, when the country’s military government stepped down, the new government took up a series of reforms and changes to facilitate trade and foreign direct investment (FDI) which started flooding the country. After 2015, Myanmar’s garment exports have grown by almost \$1 billion every year and this increase was expected to continue considering the growing demand.

During the pandemic, this key sector has been deeply affected with significant job losses, the consequences of which have been felt particularly by young people and women.

The number of positive Covid-19 cases in the first half of 2020 was limited but the pandemic had an immediate effect arising from both supply side disruptions and demand side collapses, particularly in European markets.

The Government of Myanmar has implemented a range of policies to moderate the impact of the pandemic on the economy and workers, including an emergency fund of 100 billion kyat (nearly 52m Euro) established in March as well as social security measures announced by the Social Security Board to sustain workers’ incomes.

Despite general demand collapse, our presence in Myanmar

increased comparing to the previous year, when the only supplier we had in the country produced 0,19%. In 2020, the volume we sourced at that same factory reached 2,74% and we started collaborating with another supplier which made 0,87% our total FOB.

Due to this augment in FOB generated by the country, in early 2020 we hired a local Quality Controller dedicated to Burmese factories only. Having our staff in the country increases the production quality and improves the communication with factories management also for social compliance and due diligence goals.

On 20 September 2020, the Ministry of Health and Sports announced a two-week lockdown starting from 24 September which was extended for garment factories only until 21 October, resulting in an entire month's closure. To sustain the workers, the local government offered financial support that covered part of their wages during the lockdown period. Workers could get 40% of the minimum wages if registered to social security, or 20% if not registered.

We checked with the suppliers if they were aware of the financial support given by the local government, and if they were planning to pay the missing 60% -80%. They stated that they were willing to follow the government instructions, including additional rules on the integration of the missing percentage. At the same time, we made sure that the factories paid the September wages on time even if the starting of the lockdown period was during payday. Our suppliers confirmed that they paid the workers who had bank account to limit risks of people gathering. The workers who needed the wage by cash were divided according the sewing lines and department and paid in two different days.

Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
14381	2,74%	EXT BSCI 2020	-	-	5	-

Taiwan

For cut and sewn goods we produced only in one factory in Taiwan in 2020, which made up 0,01% of our total FOB.

One of the key issues found was overtime and the lack of an effective work schedule. Another important finding was a recruitment fee applied to migrant workers which was later confirmed to be borne by the employer, and not the workers.

Even though our volumes in textile factories in Taiwan are extremely small, an important part of our hardware is produced in this country. So in 2016 we began to research on the possibilities of extending our verification and Social Compliance to these factories. After years of risk assessment and preparation, in 2020 we rolled out the process and carried out two audits with a special focus on the issue of recruitment of migrant workers and fees charged both in their home and receiving countries.

Findings

FWF code	%FOB	Audit	Closed	Pending verification	In progress	To be discussed
2997	0,01%	EXT FSLM 2020	-	-	-	-



Photo – Factory 3919 in Vietnam

A DEEPER LOOK INTO THE CHALLENGES AND THE MOST PRESSING ISSUES: COVID-19 AND WAGES

Covid-19

2020 will be remembered as the year of Covid-19 virus.

We were not spared from the sense of uncertainty and constant alertness. The entire year was marked by challenges and difficulties, but we 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, both internally with our employees and externally with our suppliers and their staff.

In February 2020, the Covid-19 virus, which originated in China, started to spread all over Europe. Italy was one of the countries hit first and hardest during the first wave, and we faced uncertainty and many restrictions from the beginning of March. No other European companies could serve as an example to follow in dealing with the new and unstable situation, so we created our own path. We shifted the focus to more urgent needs: assuring our suppliers that we are a reliable business partner even in these uncertain times, and ensuring that they too provided stability, safety, and security to the workers in the factories.

The Covid-19 pandemic hit all the businesses hard and showed the fragility of the supply chain. To monitor and limit the impact on our partners, we put in place an advanced due diligence approach.

Our Sourcing Department has been constantly in contact with the suppliers and the strong collaboration with Fair Wear Foundation and other stakeholders allowed us to be updated on the changes, the spread of the virus and its consequences in all the countries we worked in.

During the first lockdown from March 2020, several webinars and articles were useful to gather information and to decide how to proceed in monitoring and carry out due diligence.

Since the beginning of the health emergency, our dealings with our partners have been based on three pillars: Dialogue, Stability and Solidarity.

Despite prevailing 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 allowed the Group to be in a position to manage the situation in the best possible way and be constantly informed on the closure or reopening of factories and of any highly critical situations.

Maintaining constant and open dialogue with our suppliers has been fundamental. Both to reassure them, and also to check that they were taking the necessary measures to limit the spread of the virus and complying with local laws regarding wages and payments; and their response throughout has shown us that the relationships with our partners have strong roots.

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

The safety measures were regularly checked with a specific interest in assessing the incidence of Covid cases in the workplace and which actions were implemented by the factories concerning payment of leave, quarantine, and workplace sanitisation.

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 in Bangladesh 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 carefully verified that the grievance mechanisms were working efficiently and that workers could easily access the Fair Wear Foundation hotline. During the pandemic, it was more important than ever that workers were aware of their rights and their voices could be heard.

In 2020, we were committed to ensuring that suppliers did not make rash decisions and that, in the event of a need to reduce the workforce, redundancy procedures were respected, and the due sums paid.

We paid particular attention to ensuring that employment contracts were not terminated, with the emergency being used as an excuse. We 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.

To have a complete picture, we sent questionnaires that investigated the reactions, potential risky situations, and difficulties of our partners. The surveys were sent officially twice but the conversation went on into details if a factory required closer monitoring.

To understand if the factories were suffering the impact of the virus, we asked precise questions on capacity, orders from other brands, working hours, number of workers, and ability to ensure the payment of wages. In 2020, we received three concerning alerts from Fair Wear Foundation informing us that some of our partners were having serious difficulties in paying wages and were forced to lay-off a number of workers. Immediately we joined forces with our Sourcing Department to investigate the worrying communication. Fortunately, in all the three cases it was found that the information was not grounded.

The key message from the start was “business continuity” and with it, 100% order stability.

To keep our commitment, we requested that all completed orders be shipped to us and confirmed those in or before production, where, for example, materials had already been purchased; thanks to constant dialogue with our suppliers we updated information on factory closures and restrictions on the production, due to sick personnel or distancing rules, and were able to support factories and workers by offering flexibility for delivery, to avoid stress or overtime. We tried our best to ensure that our suppliers were able to honor their commitments to third parties. We have never abandoned our suppliers in this difficult period: we are in this together.

During these challenging and difficult times, we have been able to confirm that the Oberalp team is made up of competent and trustworthy people. We could survive to the crisis thanks to their effort and commitment. Our Quality Control team based in the some of the countries in which we produce, namely Vietnam, China, Myanmar and Bangladesh, has played a fundamental role. Mostly alone, they made sure that all the produced items met the quality requirements and helped us in monitoring the working conditions in the factories.



Photo – Factory 5843 in Bangladesh

Living wage

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

Workers in the garment industry often earn poverty-level wages and fair compensation is therefore one of the challenges we face. Through auditing and communication with our suppliers, we have been able to ascertain that in all the factories we collaborate with, the basic requirement of paying the minimum wage established by Law is met, but we also know that this amount of money is not enough to enable the workers to achieve good living conditions. The key to obtaining significant improvements on the payment of a living wage is through setting a reliable and strong process.

Studies in Living Wage and advice provided by our stakeholders in this matter (Clean Clothes Campaign, Fair Wear Foundation, the Global Living Wage Coalition), say that in order to do this, a Company must have:

- Living wage commitment
- Clear benchmarks for a minimum living wage
- Purchasing practices that make living wages possible
- Transparency
- A clear roadmap for implementing a living wage for all workers

Complexity

Being committed is not enough, it is not just a matter of allocating the resources. There are many risks that have to be taken into account in making a case, and setting the process for a Living Wage. We began to build this process more than 5 years ago, and have faced many questions and challenges. Like any other project in a Company, a case has to be built for dedicating resources, human and financial, into assessing the situation and, if a problem were to be found (i.e. lack of payment of living wages) and the need to solve it arose (making sure that workers in the factories making our products receive living wages), reserve the financial resources required. Some of the questions or problems we needed to solve:

- Is there resistance from the Purchasing department to address the issue with supplier for fear of higher quotations or termination of relationship?
- If working with an intermediary, is he willing to cooperate and involve the factory in the discussion?
- Is a long-term relationship or an important one at risk, if we address

this with the supplier? Will this damage the dialogue and the trust, rather than strengthening the bonds with the Company?

- Are suppliers willing to disclose the wage structure of the factory?
- Are suppliers willing to implement or disclose minute costs within labour costs?
- Would the Purchasing department be able to reduce margin or is it bound to targets imposed by the Company?
- Would the Company be willing to allocate budget to cover extra costs of wage surplus in the factories?
- Is it really worth it, i.e. what is the impact, if we have such low leverage (we purchase small volumes) in the factories?
- Are other brands willing to participate in the joint financing of Living Wages (to counter the lack of leverage in factories where there are no other FWF members sourcing)?
- Lack of reliable sources for determining the target wages, i.e. what constitutes a living wage in each country and region where our products are made.
- Additional payments not arriving to the workers

The process

Before delving into the Living Wage scenario, we made a “SWOT” analysis of the status quo and position of our Company:

Strengths

- Consolidated suppliers and factories base
- Committed staff
- Good relations with most suppliers
- Open Costing
- High volume of audited factories - suppliers disclosed information

Weaknesses

- Low leverage at most suppliers
- Low reliability of information provided
- No experience in living wages
- No reliable information in living costs in locations
- High pressure for keeping the margin and low cost
- Complex price structure (open costing but some items are paid per piece and “labour costs” are a closed amount, not transparent and with no “ppm”)

Opportunities

- Make real steps in living wage and improving workers’ lives
- Getting an overview of cost structures in the company

Threats

- Losing suppliers
- Low or no impact – workers for the manufacture of our products
- change, it is difficult to ensure that the extra sums reach them

The beginning – and the end

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

FWF's position on living wage payment is much broader and more complex. The process is made of little achievements and "measuring wages doesn't always give a picture about the brands measures and steps taken already. It is key to also measure the steps that are taken in between. Let's not forget that many steps must come before brands are able to tackle wage improvements with their suppliers"(FWF).

Recommendations from NGOs on Living Wage studies and reports repeat continuously that brands must pay higher salaries. However, why should we assume that brands are not paying prices which are high enough? Why should we assume that factories do not pay living wages to workers? What happens if a brand makes sure to be paying wages which are high enough, but cannot make sure that they reach the workers?

It is important to be aware that, even though our commitment to ensure the payment of living wages is set in our Code of Conduct, incorporated in our price dealings and reminded to our suppliers on a regular basis, factories have the ultimate responsibility in ensuring the effectiveness of this: we pay for a finished product and must rely on our partners fulfilling their part i.e. effectively transferring the sum that we set out for covering fair wages, to the workers. And if factories assure us that they do pay living wages, but do not disclose wage details because of the confidential character of the information or for any other commercial reason, should we or do we have the right to assume the contrary? Not really. We should and will continue to work with our suppliers to gather the information to check if they are already paying living wages, and make sure that we can jointly find solutions for those who are not. We need to involve them in this endeavor, because it is a common project. It is for the better of the workers, of the factories and of our products.

The long journey

In the last 5 years we have gone through different scenarios for deciding how to best tackle living wages and have encountered a series of hurdles along the way. We have reported this in our past Social Reports quite broadly, without going into detail, because we would rather give results and solid data, and during all these years, despite deep and constant work, we have been able to make slow progress. So in our last reports,

we restated our goal of making sure that living wages were paid in the factories, enounced some of the difficulties in obtaining information, and reiterated our will to continue the road we had commenced years back for:

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

Thanks to our dialogue with Clean Clothes Campaign, we realized that some stakeholders out there were genuinely interested in following our progress, not just our success. So in 2019 we decided to dedicate a couple of pages to let you have a deeper insight into what we have found – or are still striving to find.

In 2019 we continued to follow the steps we had set in the previous years:

1. Setting a reliable benchmark or "target wage"
2. Getting wage data
3. Getting suppliers to confirm the target wage
4. Assessing the gap

1. Setting benchmark is a very complex task. There is no single indicator for the amount that should constitute a living wage, and each country, each culture and even each person might have different parameters for what should fulfill a decent standard or for determining an acceptable amount of "disposable income".

At the time when we began to approach this matter, our intention was to make a pilot project with one of our long-term suppliers in China. So we studied the possibilities of discussing the benchmark suggested by FWF for China, the Asia Floor Wage (AFW). AFW establishes a benchmark of 4547 RMB for the whole country. However, China is divided into 32 regions, and each one is again split in 2 or more "wage" zones, for a total of 116 zones and 51 different minimum wages, according to the living costs of each area. They range from 1000 to 2420 RMB and applying a unique benchmark, as the Asia Floor Wage, would not be accurate. As far as our factory base, facilities are located in 14 cities with 8 different minimum wages ranging from 1380 to 2200 RMB. This is why one of the most important tasks we gave ourselves was to determine a target wage per area, against which we could compare the factory wages.

Even very accurate studies by specialized organizations, international bodies and NGOs, do not provide a single answer which can be applied overall.

Some indicators given by thorough studies, like the work of the Global Living Wage Coalition are excellent but do not cover all the countries where we are active, and with the rapid changes occurring in the world, and inside the factories, can quickly become outdated: the GLWC report we decided to use for Bangladesh is from 2016.

2. Gathering wage data to be aware of the current situation and understanding which are the actions to take to ensure a living wage for all workers is quite complex.

One important matter in our work so far, is that up until now, we have focused on the factories located in “High-risk” countries, and left those located in “low-risk” contexts out, following the distinction made by Fair Wear Foundation: based on the assumption that the first set are bound to have rules and regulations in place be able to guarantee the upholding of the 8 labour standards, which includes the payment of a living wage, FWF sets a tough monitoring system for countries which fall under “High-risk”, where this might not be the case.

We collect data on the wages paid by the factory and we collaborate with our suppliers in order to have an overall picture. We do this through third party auditing mostly with Fair Wear Foundation, who has experts in each country that provide full wage analyses, and constant dialogue with our suppliers. Then, we classify the total salaries into regular, benefit and overtime incomes for lower-paid and mode workers. The gathered information is the beating heart of the indepth analysis conducted on the factories based in high-risk countries. Evaluating living wage requires high quality data, thus we can only process the feedback from facilities that provide precise and reliable information, which in 2019 amounted to 85% of our FOB (high- risk only).

Sometimes we also face an additional hurdle connected with the type of payment. Analyzing wages in China, we have found that 32% of factories pay wages on piece rate, thus the salary amount is based on production output.

This is further complicated by the fact that workers may produce different items, with varying degrees of difficulty, in the same month, resulting in “output” that is not easy to compare.

Therefore, our due diligence regarding overtime and wages calls for checking that in factories where workers are paid “per-item”, prices negotiated with our suppliers allow for reasonable working times and wages.

3. Getting a confirmation from our suppliers on the accuracy of the “target wage” reflects the judgments of various organizations and suppliers. This data plays a fundamental role in the wages evaluation of the in-depth analysis.

In 2018, we defined a set of potential benchmarks to use in our analysis and in 2019 we put a lot of efforts in asking our suppliers if the living wages suggested were aligned with their experience. Unfortunately, this turned out to be a blind alley and we had to change course, yet again.

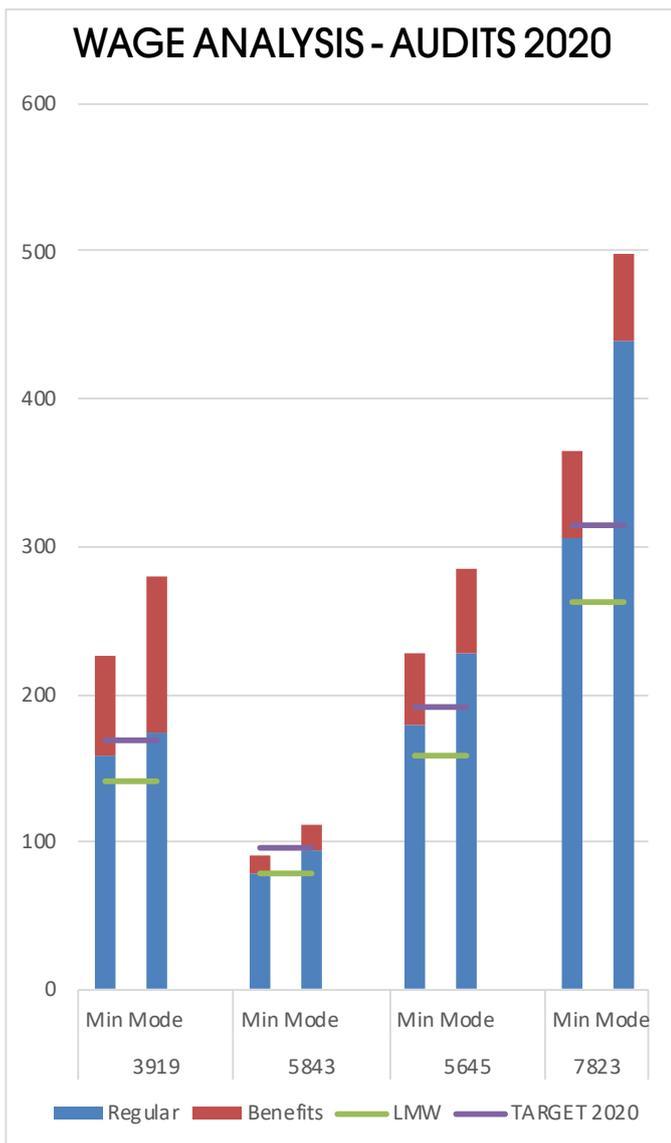
Our priority was not to lose the progress made so far and to continue to work consistently on this challenge. We therefore decided to try the strategy of a fellow brand who is also FWF member and thus committed to improving working conditions: taking the legal minimum wage increased by 20% as a benchmark, a good compromise between precision and ease of calculation.

4. Assessing the gap is the last step of the process.

As we did in 2019, also in 2020, we applied the target to the 5 audits conducted in the year, to ensure to that we were using the most updated information. In one case, the information provided was not enough to enable a good level of analysis. In the others, the degree of detail of the data is limited, but it allowed us to carry out our analysis. The goal is to pay the target wage to each worker, so despite the scarcity of the data we could calculate the gap for the most disadvantaged category, i.e. the lowest-paid workers.

In sum, we were able to conduct more accurate analysis cross-referencing the salary data on the lowest paid workers with the target wage (legal minimum wage + 20%). We found that the target was reached by the mode workers for nearly 78% of the FOB.

5. The Costing Tools designed and implemented by the Costing Manager of the Apparel Division, allow for a thorough cost breakdown calculation per styles. It was developed between 2019 and 2020 and it establishes a relation between the "labour costs" declared by our suppliers on costing sheets, and available living benchmarks. This tool enables us to make a reverse calculation, whereby these "labour costs" are translated into "labour minute costs" at living wage rates, with standard working days and hours in each country, and depending on the complexity of the garments, the technical experience of the factory and other specific features. It helps us to understand if we are paying the supplier enough so he can pay adequately the workers. In 2020 we began to implement this tool and were able to confirm this.



The FWF complaints procedure

FWF gives brands the opportunity to provide direct support to workers in their supply chains. Workers or worker representatives file a formal complaint against their employer via the FWF complaints hotline; then FWF forwards the complaint to the brand, and the brand must notify the factory immediately and try to solve it as soon as possible. Once the facts are verified and the factory commits to carry out the required remediation measures, we make suggestion on preventive actions, to avoid the repetition of the situation. Once this process is completed, we notify FWF and they publish the complaint on their website.

We take complaints very seriously and have a person who is specifically working to respond to these incidents as soon as they arise.

In 2020, we dealt with 1 formal complaint made via the FWF hotline.

The issues that workers complained about concerned contractual rights and discrimination.

The short description below provides an overview of the complaint, how it was handled, the ultimate resolution, and the preventive measures that we agreed on with the suppliers.

Complaint #1

Factory 12454: Bangladesh

08 February 2020

The complainant was an operator who had been working in the finishing department since 2010. She took maternity leave for her second child in 2013 and she resigned from the job in 2016. Two months after leaving the company, she joined the workforce again. When the complaint was submitted, she was 5 months pregnant of her third child and she asserted that the factory management had forced her resignation to avoid paying the maternity leave. Thus, it was a violation of FWF's Code of Labour Practices #8 'Legally binding employment relation' and #3 'No discrimination'.

The factory was immediately contacted to provide more information and conduct a thorough investigation. There had been a similar complaint 7 months before, thus the request was taken seriously. The first step was gathering more information about the maternity leave she was entitled to and the one she had taken in the past. It was discovered that as per Bangladeshi Labor Law, in case of a third child, the worker is entitled to have the maternity leave but not the financial benefit. She confirmed that she had received the benefits during the previous pregnancy period.

Deepening the research, it was found that the real issue was not linked to the unwillingness to accept her maternity leave but to a totally different reason. According to factory management, the worker performed her job poorly and the line supervisor warned her verbally several times for her carelessness and negligence.

Due the lack of improvements in her work quality and accuracy and the repeated mistakes, the supervisor asked the HR office to take official measures against the worker. Based on these elements, the HR officer called the worker to his office and gave her a show-cause letter, asking to sign it. The HR officer threatened the worker that if she continued doing this kind of mistakes again and again, she would not be able to keep her job. Until that time, she hadn't informed the management of her pregnancy, and no documentation was provided. Usually whenever a female worker informs management that she is pregnant, the management asks for ultrasound report to confirm the pregnancy and process all necessary paperwork to provide maternity benefit.

The main confusion raised in this last episode was due to a misunderstanding. The worker signed the show-cause letter, but she thought she had signed a resignation letter. Then, she placed the complaint immediately. After that, the HR manager talked to the worker and clarified what was misunderstood. During the investigation, it was found that the behaviour of the HR officer with the worker wasn't proper as he threatened her.

At the end of the verification process, the complainant was working without any consequences and she didn't have complaints anymore. The management of the factory also assured us that they would employ the worker until she leaves the job willingly.

After this episode, the management set up an awareness program for workers and middle management on maternity Benefit Law and will keep that type of issue under close monitoring.

Activities to Inform Staff Members

Our social compliance work also includes internal initiatives. Our pledge towards transparency and social justice in our supply chain is something we are very proud of. We believe that all members of the company should act as ambassadors of these achievements, and this is why we work to inform all employees about our progress. For example, at our company-wide Employee Meetings our CEO or Sustainability Manager present 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 restate 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. Twice a year, the Oberalp Convention is organised to show our customers and partners the new products of the fall-winter and spring-summer collections of the following year. During the events, a specific corner is dedicated to sustainability. In the lounge, we have the chance to speak with our colleagues, dealers and clients about our social compliance and sustainability work. In 2020, both the Oberalp Conventions were organised as streaming events and the Sustainability Corner was replaced by an online chat. Likewise, our Retail Academy - a bi-annual session with members of our retail staff to educate them about products, the company mission and values, and Sustainability activities - and the other trainings to our retail staff were done in person where possible, or conducted online where not.

Social compliance and our partnership with FWF make up a big part of how we internally communicate and educate staff not only on our Sustainability work, but also on our greater mission and values. This year we held online sessions with the retail team for safety reasons. Despite the new format, they were very pleased with the results we have been able to achieve. All new Oberalp employees an introduction to the importance of Social Compliance for the company to ensure that they know how the factories in which we produce are selected and monitored. For two new employees, the induction phase was more thorough. The new CSO Executive Assistant was given full training on the topic and the Communication Manager was also provided with a specific focus on the FWF communication policy and guidelines.

Finally, we ensure all of our production partners - whether they are agents, intermediaries, or factories - are aware of and committed to our CoC, and FWF's Code of Labour Practices. In 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.

Our local Quality Control teams carry our audits in new factories as part of our due diligence. As a condition for on-boarding new partners, we make an assessment on the social standards of prospective facilities, to measure compliance with our own standards, and management practices together with commitment to improvement of problems. We had this system in place before we became members of FWF, and because FWF has its own, it meant that we had two different standards for evaluating factories. This was not efficient, so in collaboration with our Quality Control Specialist, the company's eyes in the factories, we decided to adapt our assessment forms to those used by FWF audits- This enables us to evaluate our suppliers in a more consistent manner, and it includes also the smallest factories, our "Tail End".

In 2018, we engaged a member of our local Chinese team in FWF audits carried out in two factories, as a form of training. There, she had the chance to take part in professional auditing, interviewing of workers, document verification, questioning of factory staff and general dialogue regarding social compliance in the factory.

This helped her to gain confidence in her own auditing tasks and improve dialogue on these matters with the factories.

After this positive experience, we offered the same to our Licensee manager, who is in charge of aligning our license partners with our Social Compliance standards. In essence, licensees may independently develop and sell collections, in exchange for royalties on the use of our logo on the products. Even though we are not involved in their internal procedures, our License contract foresees minimum requirements on Social Compliance, as part of our Company policy. Licensees have therefore adhered to our CoC and committed to its implementation in the factories where they make their products. To help our Licensee Manager have a more proactive role in advising Licensees, in 2019 we decided to give her the opportunity to be present at a FWF audit. This enabled her to understand how the monitoring and verification system works, and will help us to set a system to advise licensees on these issues. For 2020, we had planned audits at two factories where our licensees are producing. Because of covid-related restrictions in China, unfortunately we had to cancel them. We hope to be able to carry them out in 2021.

Activities to Inform Manufacturers & Workers

In addition to auditing, Workplace Education Programmes (WEP) and trainings make up a big part of our work with factories. These programmes aim to enhance awareness of workers' rights, foster social dialogue and the resolution of issues through open communication, and to help factories find out how they can improve the well-being of workers in the factories. FWF and other institutions offer both general and country-specific modules.

They cover topics such as: FWF's Introduction to workplace awareness, complaints hotline and grievance mechanisms (Bulgaria, China, India, Macedonia, Myanmar, Romania, Tunisia, Turkey and Vietnam); violence prevention capacity (India, Bangladesh); risks facing Syrian refugees (Turkey); worker-management communications or dialogue (Indonesia, Myanmar, Vietnam, and Turkey).

At the beginning of the year, we had planned many trainings and raise the awareness of workers on their rights and improve their conditions in the factory. Other than basic and specific WEP modules, we were starting to organise internal trainings for our Quality Control staff that visits the factory almost daily.

Their main task is to check that the quality of the produced items meets Oberalp standards, but it is important to also train them on

social compliance related topics. Having our own staff in the factories with an eye for working conditions is a great opportunity to improve them. Unfortunately, we were obliged to postpone the project, but we would like to investigate this possibility next year. Moreover, we thought in times of this pandemic it was not advisable to organise gatherings. So as part of our responsibility in preventing the spread of Covid, we cancelled all our WEP plans.

Instead, we concentrated in making sure sure that workers were aware of their rights and could access grievance mechanisms. Every time we contacted a supplier, we asked if new complaints had been raised and their relation to Covid-19. When facilities could open their gates and start working again, we took the chance to share the updated version of the Worker Information Sheet and asked them to post it in a visible place. The factories had already the old version, which contained FWF's old logo and corporate image, and we thought sending the new one was a chance to remind them the importance of posting the WIS. Moreover, the renewed design could more easily get the attention of workers and thus increase the likelihood of the WIS being read.



Photo – Factory 5645 in Vietnam

Partnership and collaboration

Sometimes it is important to be fast, and acting alone is the best option. Even though this approach is effective, if we want to achieve long-lasting and stronger results, joining forces is better. For this reason, we put a lot of effort into creating partnerships and nurturing collaboration.

In 2020, the three most fruitful and valuable common cooperation instances were with the Fair Wear Foundation, Clean Clothes Campaign, and the Audit Alliance Hard Goods.

Fair Wear Foundation

When the pandemic first hit us, we were not ready. We feared for our business continuity and for the consequences that our suppliers and their workers would face. From the beginning, we wanted to get as much knowledge as possible to be able to make informed decisions.

Other than communicating daily with our suppliers, we found a useful source of information in Fair Wear Foundation research.

The country-specific webinars they organised helped us in better understanding the different situations worldwide. Gathering information from suppliers is important to have their point of view and to understand the impact of the pandemic on their business, but we lacked a general picture of the country. Thanks to the webinars and the investigations that FWF conducted, we were able to get general data on the funds allocated by governments to support businesses and on the impact of the pandemic on the economy.

Every country reacted in a different way, and in the worst hit and far away ones we could count on the local FWF team to get updates. We would say that this possibility was one of the winning cards that allowed us to be up to speed and informed.

FWF also interviewed some of the suppliers where their member brands sourced from, to check that the factories were able to pay salaries. If the results foresaw a potentially risky situation, they immediately reported it to the brands for the remediation process. We were contacted in three cases for two factories located in Vietnam and one in Romania. As soon as we got their worrying emails, we focused on investigating and planning corrective actions. Fortunately, they were all false alarms.

Clean Clothes Campaign

Another organisation working on ensuring that the fundamental rights of workers are respected is Clean Clothes Campaign. We were in touch with them in the last few years to provide input and information for their studies and questionnaires, but during the pandemic the dialogue reached a higher level that laid the foundation for a good collaboration. During the first month of the pandemic, we were asked about the actions taken to mitigate the negative effects on the international textile supply chain caused by Covid-19 and create more resilient work systems for the benefit of workers in the future. The set of questions covered a wide range of aspects, from the orders and relation with suppliers to the safety measures in place. We were one of the few Italian brands who gave detailed information and the answers were published by CCC which inspired us to write a blogpost on the Oberalp website.

With the evolution of the situation and the spread of the virus in many countries, we stayed in touch, sharing updates and discussing their requests.

In 2020, the results of a survey on the living wage and transparency were published on their website under the name of Fashion Checker. The aim was to help customers to assess how transparent brands are regarding where and how garments are made. The data is meant to be updated every year to track the improvement of the companies involved in the research. Despite the low score we obtained (2 points out of 5 for transparency and "D" on living wage, where A is the maximum), CCC acknowledged. They acknowledged that we have put a lot of effort into our projects and that we have started to work on living wage with some success.

Before the publication of our profile on the Fashion Checker, we had an interesting exchange of visions that deepened a few months later during two calls. On those occasions we addressed several topics, from our transparency page and the Fashion Checker to the gender gap and Covid-19 measures.

In 2020, we participated as speakers in the Fashion Transparency Roundtable organised by CCC which was part of the project co-financed by the European Commission "Increasing Knowledge, Awareness, Transparency and Traceability for Responsible Value Chains in the Cotton and Garment sectors."

The goals of the events were to portray the status of transparency in the fashion supply chains, share best practices, and promote virtuous solutions from both practical and legislative points of view. We shared our experience by highlighting the benefits of having a transparent supply-chain and listing the challenges that this choice brings.

Audit Alliance Hard Goods

The pillar of our social compliance efforts is the monitoring process. It is carried out through factory self-assessments, on-site checks, third party audits and constant communication with suppliers. We mainly focus on those involved in cutting and sewing since 82% of our turnover comes from textile products.

However, in 2016, we started gathering more information to extend our monitoring work to technical hardware factories as well. After collecting useful contacts and increasing our knowledge, we were ready to start a project.

In July 2019, a subgroup of the European Outdoor Group's (EOG) Hard Goods Working Group was established with the purpose of combining outdoor brand's business power and good practices to assess the risks specific to, and improve social practices within the metal supply chain.

Together with five other brands, we founded the Audit Alliance Hard Goods (AAHG) aimed at tackling human rights issues in Taiwanese hardware factories.

After this alignment on align the approaches and expectations of the companies involved, laid the foundations for the practical work: verifying the situation in the factories. This was done in three steps: first, identifying the possible factories where we could start. By disclosing our suppliers and finding common ones, we were able to define the strategy, i.e. on the one hand, which suppliers were more significant for the brands, and on the other, at which suppliers more than one brand was sourcing, to raise our leverage and the likelihood of getting the supplier to cooperate. The second step was writing a collective Code of Conduct and guidelines on fair labour practices to guide the process. The third one was carrying out research on the possible risks in this context. At that point, we decided to deepen the research and engaged an auditing company that could focus on the pressing issue of migrant workers' fees, which was highlighted in the risk analysis. Migrant

workers are often charged high fees by employment agents both in their home country and the country they become employed in. They can also face language barriers, poor accommodation, restricted personal freedoms and health and safety abuses. The combination of these factors put these workers at a High-risk of forced or bonded labour.

The recruitment of migrant workers is common practice in Taiwan. The workers are primarily recruited from Indonesia, Thailand, Vietnam, and the Philippines.

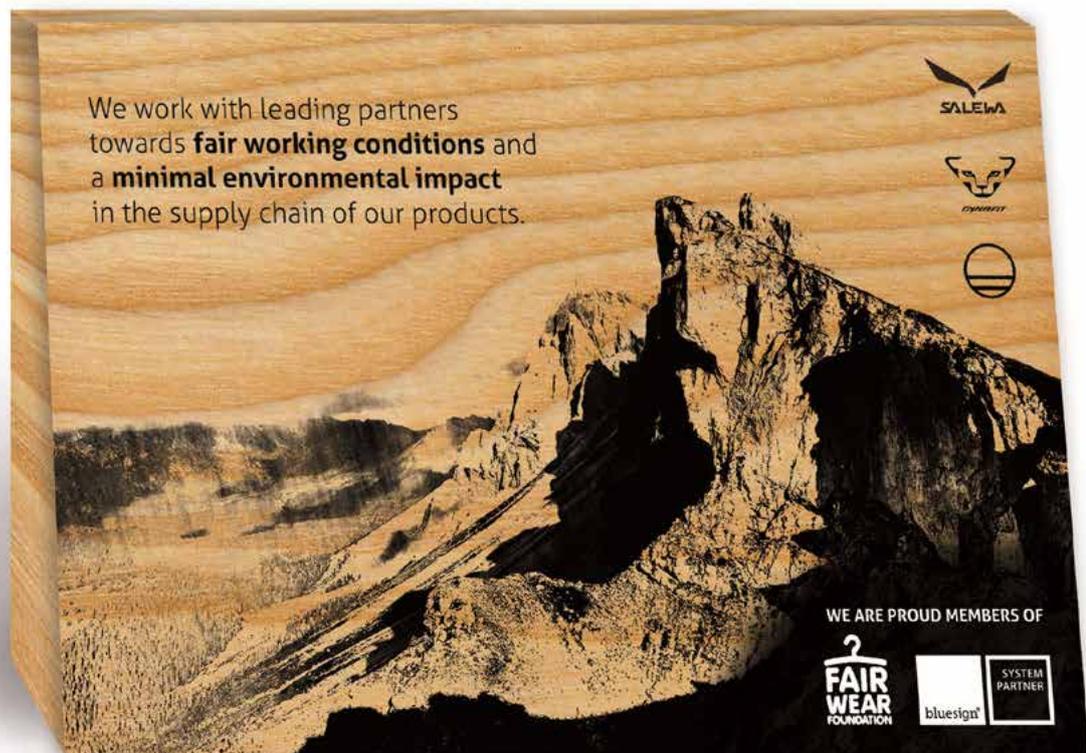
To confirm this suspicion and be able to start a remediation process, we arranged 3 audits in December 2020. Upon receipt of the Audit Report, the group agreed on the next steps and objectives for 2021:

- Deliver and discuss the Corrective Action Plan (CAP) with the 3 factories
- Address the health and safety violations identified at the 3 factories
- Investigate and review the fees that were charged to workers by agencies and other parties
- Develop a comprehensive understanding of the migrant worker landscape in the hard goods supply chain
- Identify and map other shared tier 1 suppliers of hard goods that could be audited in order to address other social issues such as overtime
- Enter into dialogue with other brands who have know-how and experience on the issue of migrant issues to learn and evaluate best practices and possible courses of action for our group
- Engage other outdoor brands sourcing in factories in Taiwan in the project, to raise their awareness on the issue and potentiate the leverage of the group
- Evaluate possible stakeholders or partners in tackling this issue: NGOs, auditing companies

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.

Our group-wide sustainability report is 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, fact cards in the shop 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 organise training sessions related to social compliance for our Quality Control team that visits the factories daily.

Other goals for next year are to develop tools, conduct studies and launch pilot projects to assess and analyse the current situation of freedom of association and discrimination in the factories we cooperate with.

The pandemic has raised, more than before, the need to make sure that workers have a voice and means to make sure that their rights are respected. During our analysis, we have discovered that some factories lack workers' committees or any other form of representation. In some cases, this is explained by the absence of the need for such a representative body, due to the dimensions of the factory or the good quality of internal communication. In some others, the awareness on the topic is limited. Thus, we would like to work on raising workers' awareness about rights, payslips, and specific issues through information cards and training sessions.

We have also chosen to focus on gender discrimination. So far, we have never addressed this topic specifically, but during 2020 we were asked by an NGO to provide more information on gender equality in factories. With this request we realised that we have never made specific in-depth studies which, however, are necessary. So we will begin to address it with our suppliers, and have also prompted FWF to include specific information on gender discrimination in their audits. This will give us additional tools to tackle the issue.

In the previous years we focused our efforts on establishing the root causes of overtime, and guaranteeing the payment of a living wage in the factories we cooperate with. In 2019 our Apparel Costing Division developed a tool aimed at making sure that the prices we are negotiating for our products enable the factory to pay workers a living wage. In 2020 we piloted the tool with some of our styles and suppliers and corroborated the assumptions that the tool is based on (living wage benchmark, working days, working hours, relationship between direct and indirect labour). It was a big challenge, because our aim is for the tool to become an active and open part of the negotiation, and for this, it would be necessary to carry out in-person discussions. This was not possible because of the Covid-related restrictions. In 2021 we will continue this work, and scale it up as much as possible.

We also aim at ameliorating the tool that the Costing Division implemented in 2020 to calculate if we are putting the supplier in the position to pay a living wage.



ANNEX – FULL FACTORY LIST

(In alphabetical order)

Albania

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
13689	2018	apparel	Dynafit	0,60%			
14380	2019	apparel	Salewa Wild Country	0,09%			
15221	2020	apparel	Salewa Wild Country	0,14%			

Austria

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
4570	2007	apparel	Salewa Dynafit	0,04%			

Bangladesh

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
5766	2014	apparel	Dynafit	0,09%	✓	BSCI 2018	
5843	2014	apparel	Salewa Dynafit	11,76%	✓	FWF 2020	
12454	2018	apparel	Salewa Dynafit	1,22%	✓	FWF 2019	
14433	2020	apparel	Salewa	1,07%	✓		

Belarus

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
33568	2020	apparel	Salewa Dynafit Wild Country	0,43%			

Cambodia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
7218	2015	footwear equipment	Salewa	0,82%		SUM 2018	

China

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
3267	2002	footwear equipment	Salewa	0,86%		FWF 2019	
3834	2009	apparel	Salewa Dynafit	0,11%			
5023	2014	footwear equipment	Salewa	1,28%	✓	FWF 2018	
5438	2010	apparel	Salewa	0,25%		FWF 2018	
5450	2014	apparel	Salewa Dynafit Wild Country	0,326%	✓	BSCI 2019	

ANNEX – FULL FACTORY LIST

(In alphabetical order)

5472	2011	apparel	Salewa Dynafit	3,36%	✓	FWF 2019	2019
5510	2012	apparel	Salewa Dynafit	0,02%		BSCI 2019	
6115	2015	apparel	Salewa Dynafit Wild Country	0,25%	✓	FWF 2018	
7261	2014	apparel	Dynafit	0,55%			
7823	2012	apparel	Salewa Dynafit	3,64%	✓	FWF 2020	
8326	2015	technical har- dware	Salewa Wild Country	1,23%	✓		2019
9725	2015	apparel	Salewa Dynafit	2,19%		FWF 2019	
9731	2013	apparel	Salewa Dynafit	0,70%			
11699	2011	apparel	Salewa Dynafit	0,09%	✓		
12115	2017	apparel	Salewa	0,33%			
12119	2016	apparel	Salewa Dynafit	1,09%	✓	FWF 2018	
12403	2018	apparel	Salewa Wild Country	0,38%	✓		
12404	2018	apparel	Salewa Dynafit	0,50%	✓		
13690	2018	apparel	Salewa	0,07%	✓		
14385	2019	apparel	Salewa	0,01%			
14531	2019	apparel	Salewa	0,02%	✓		

Czech Republic

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
12059	2017	technical har- dware	Salewa	1,03%			

Germany

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
10427	2016	apparel	Salewa	0,03%			

India

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
14431	2020	apparel	Salewa Dynafit	0,34%	✓		
15220	2020	apparel	Salewa	0,11%	✓	BSCI 2019	
15309	2020	apparel	Salewa	0,48%	✓	SA:8000 2019	

ANNEX – FULL FACTORY LIST

(In alphabetical order)

Italy							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
5416	2005	footwear equipment	Dynafit	9,82%	✓		
5451	2010	apparel	Salewa Dynafit	0,20%			
5459	2005	apparel	Salewa Dynafit	1,39%			
9682	2015	apparel	Salewa	1,23%	✓		
9728	2012	apparel	Salewa Dynafit	0,03%			
9729	2015	apparel	Salewa Dynafit	0,28%			
33350	2020	apparel	Salewa	0,11%	✓		
Lithuania							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
3854	2011	apparel	Salewa Dynafit	1,98%	✓		
5435	2011	apparel	Salewa Dynafit Wild Country	1,15%	✓		
14434	2020	apparel	Salewa	0,17%			
Myanmar							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
11906	2020	apparel	Salewa	0,87%	✓	FWF 2018	
14381	2019	apparel	Salewa	2,74%	✓	BSCI 2020	
Republic of Moldova							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
12452	2017	apparel	Salewa Dynafit	0.01%			
Romania							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
2708	2008	footwear equipment	Salewa	0,86%		FWF 2018	
8996	2019	footwear equipment	Salewa	12,42%		FWF 2019	
12121	2017	apparel	Salewa	0,01%			

ANNEX – FULL FACTORY LIST

(In alphabetical order)

Slovakia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
9829	2014	technical hardware	Salewa	0,02%			

Slovenia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
2959	2009	apparel	Salewa Dynafit	0,35%			

Switzerland

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
5417	2007	skins	Dynafit	0,86%	✓		

Taiwan

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
2997	2008	footwear equipment	Salewa	0,01%		FSLM 2020	

Tunisia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
14377	2019	apparel	Salewa Dynafit Wild Country	0,69%	✓		

Vietnam

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2020	Audit / Year	WEP/Training
3919	2009	apparel	Salewa Dynafit	4,03%	✓	FWF 2020	2019
4568	2013	apparel	Salewa Dynafit	0,20%	✓	SUMATIONS 2019	2017
5414	2007	footwear equipment	Salewa Dynafit	12,33%	✓	FWF 2019	2018
5421	2013	footwear equipment technical hardware	Salewa Wild Country	2,21%	✓	FWF 2019	
5645	2012	footwear equipment	Salewa Dynafit	9,16%	✓	FWF 2020	2019
9321	2018	apparel	Salewa Dynafit	0,39%	✓	FWF 2019	2019
11333	2016	footwear equipment	Salewa	1,82%	✓	FWF - BETTER WORK 2018	2019
12250	2018	apparel	Salewa	0,31%	✓	BSCI 2019	
14386	2019	apparel	Salewa Dynafit	0,69%	✓		