



Start date membership

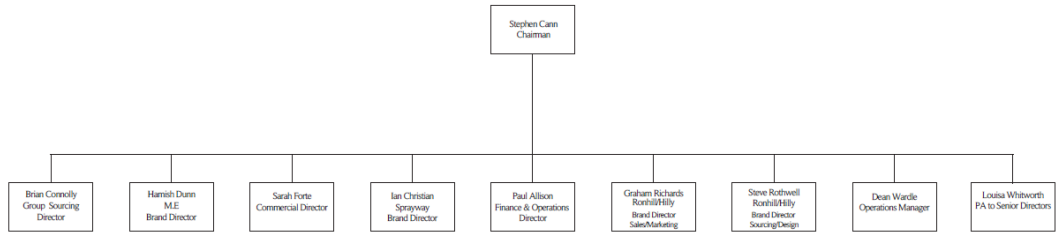
July 2012

Reporting period (financial year)

January 2013 to December 2013

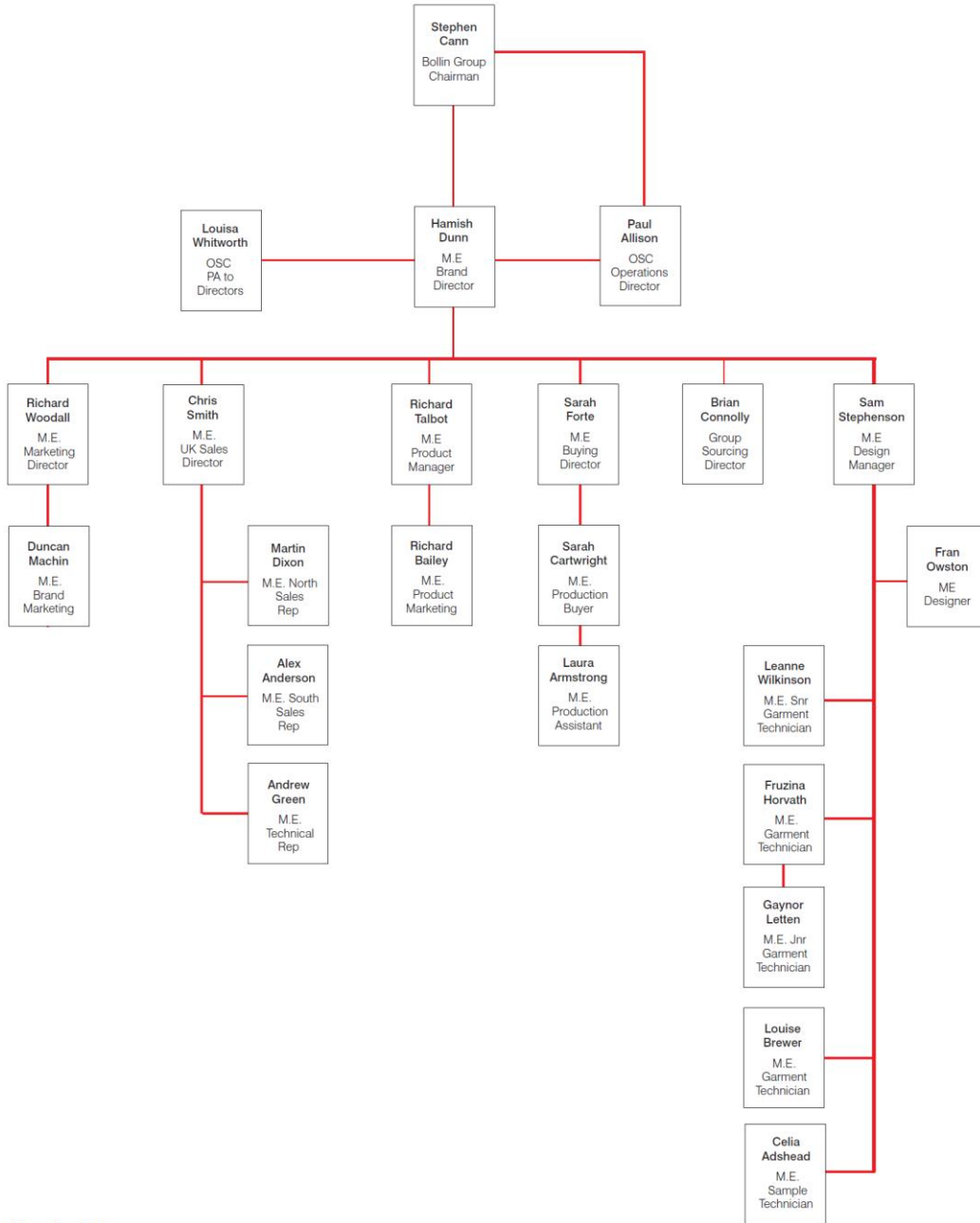
Organisational chart

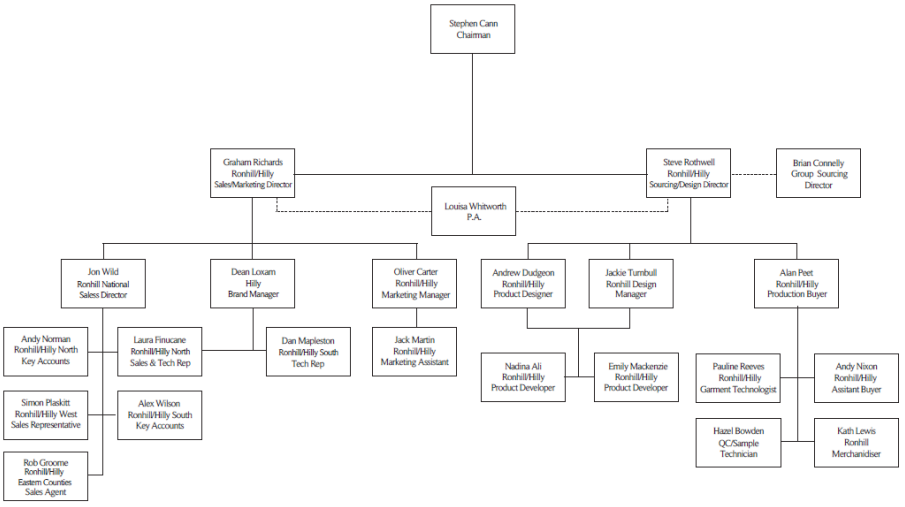
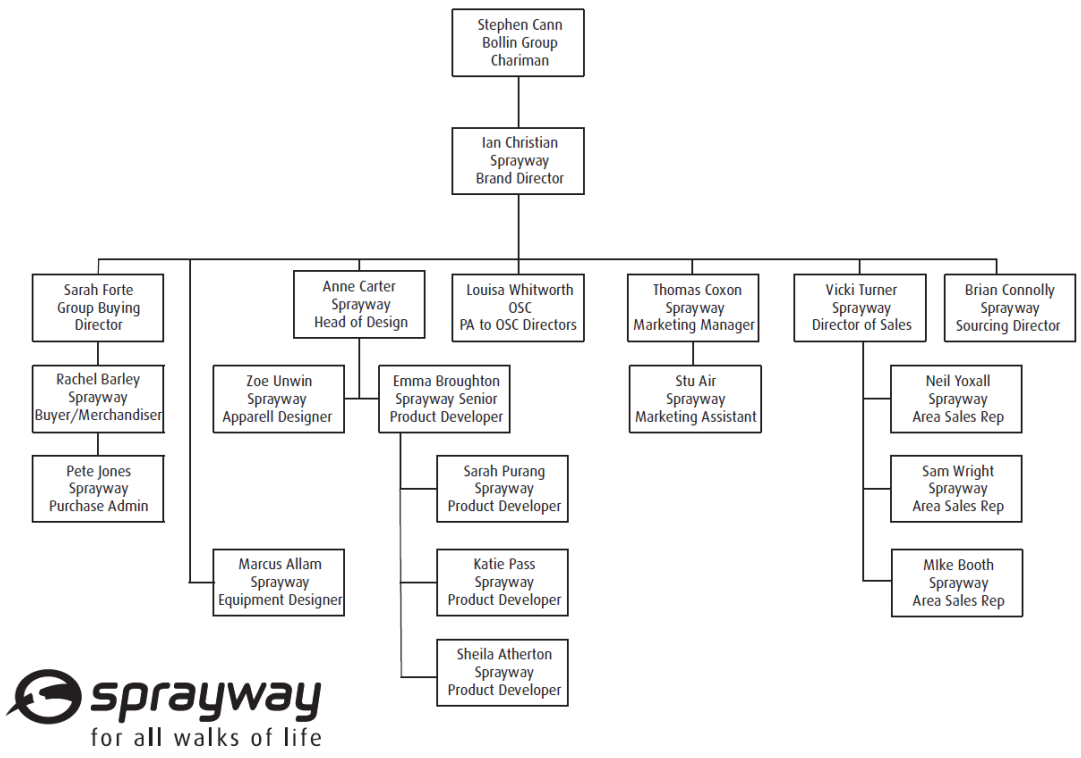






Organisation Chart





1. Summary: goals & achievements 2013

In 2013, our second year working with and affiliated to FWF, FWF audits were carried out in seven factories. Following each of these audits, CAP was completed and we visited each of the suppliers to agree ways to improve on the issues raised.

As this was the first audit for these factories, our main goal for the year was to follow up on the audit results and to work with the factory management/owners to improve working conditions. The audit team provided a corrective action plan (CAP), which we reviewed with the factory managers/owners. We received assurance from the managers/owners that improvements will be made and time lines for improvement were agreed. We had one joint audit in a factory in Tianjin and along with another FWF affiliate we are working with this factory on the corrective action plans.

In 2013 we had our first Work Education Programme (WEP)
The factory concerned reported back that both the management and the workers found it very informative and very worthwhile.

In 2013 we also had our first worker complaint, which we immediately dealt with and resolved the issue to the workers satisfaction.

We also had our first benchmarking/Brand performance check in June 2013, and scored 51 points which has us in the middle of the “Good” bracket. We hope and expect to improve our score in 2014.

Hamish Dunn, Managing Director comments on the relevance of improving labour conditions

“ Outdoor & Sports Company is a relatively small company operating in a global supply chain. We manufacture, source and market our products around the world. We have always taken care to design and make excellent quality gear for a variety of different sporting and outdoor activities. We are now turning more of our attention to ensure that all our products are made in factories where the workers are treated in a safe and fair manner. This aspect of our business is important to us and it will play an increasingly central role in the plans we develop for the future.”

The lack of workers in China is having a big impact on supply added to the appreciation of the RMB, which results in delays in production/shipping and increased costs.

2. Sourcing strategy

2.1 Sourcing Strategy & Pricing

We are a distributing company. We have four brands, Mountain Equipment and Sprayway who are outdoor sports clothing and equipment brands and Ronhill and Hilly who are running clothing, socks and accessories brands.

We source the majority of our products from Asia, but we still buy approx 20% of our products from Europe, Hungary, Ukraine, Portugal, Northern Ireland and South Africa. We buy Gore-Tex garments from Hungary and Ukraine and we buy socks from Portugal, Northern Ireland and South Africa. The main countries we source from are China (approx 70%), Hungary/Ukraine 15% and Indonesia (approx 5%)

We are very active in our search for suppliers/factories in Vietnam and Myanmar and we expect to buy approx 20% of our requirement from these countries within the next two to three years.

It is the responsibility of the Sourcing/Buying Directors to find and recommend new suppliers. The buying teams then carry out a sampling and pricing programme with the recommended factories to establish whether the factory is competitive and able to manufacture to the required quality standard.

When choosing a new supplier, we look for a company profile to see if they specialise in manufacturing our specific products and look to see which other brands they manufacture for. If we believe they are suitable, we then produce a counter sample and costing programme. If this looks promising we then do a factory visit to make sure they conform to our supplier guidelines and meet our ethical guidelines.

We visit our suppliers at least once per year. Our biggest suppliers are visited two times per year. Our average business relationship with our suppliers is 5 years.

Whenever possible we work directly with factories and try not to use agents. We have our own office in China and they work with all the factories we have in Asia.

2.2 Organisation of the sourcing department

The sourcing department is made up of Brian Connolly, Group Sourcing Director and three buying teams, headed up by Sarah Forte, Buying Director for Mountain Equipment and Sprayway and Steve Rothwell, buying Director for Ronhill/Hilly. Each Brand has one buyer and one assistant buyer

2.3 Production cycle

We have two production cycles per year, Spring/Summer and Autumn/Winter. Every item that we market, is designed by our own internal design teams and each brand has its own separate design team. The design teams work approx 12 to 18 months in advance and design the range to an agreed Range Plan and salesman samples are provided by the factories in time for sales launch.

Spring/Summer season Sales Launch in May.

Road shows, trade fairs and individual presentations take place immediately after the launch and the sales force and customers are given information relating to cut off dates for buying meetings and product delivery dates.

We place orders to the factories to agree lead times of approx four to five months

Autumn/Winter season - Sales launch in November

Road shows, trade fairs and individual presentations take place immediately after the launch and we give the sales force and customers information relating to cut off dates for buying meetings and product delivery dates.

We forecast our fabric requirement to our nominated fabric suppliers and also forecast our garment requirement to our garment manufactures.

We place orders to the factories to agree lead times of approx four to five months

2.4 Supplier relations

New factories are selected on the product the factory specialises in producing, quality, price, capacity availability, communication, factory ownership, location and Ethical Guidelines.

Once we have identified a possible new supplier we go through a sampling and quotation programme. If this looks interesting then we visit the factory. We have detailed discussions to see if both parties can work together. It is also important to us that we choose factories that we consider suitable to work with on long term basis.

Quality

We have to be convinced that the factory can make to our required quality

Price

We have to be confident/comfortable that long term the level of the quotations given are sustainable

Capacity Availability

We have to be assured that the factory has spare capacity to meet our three year plans and that they can manage our orders within agreed lead times

Communication

It is essential that the factory have merchandisers and management who can communicate in English

Factory Ownership

We like to work with small factories who are owner managed, or if bigger companies that they have strong managers in the factory

Location

It is important that the factory is located in areas where workers are available and also that there is good infrastructure

Ethical Guidelines

It is very important to us that the factory conforms to our Ethical Guidelines and that the workers are treated well and work in good conditions

The final decision to work with any factory is made by the relevant Buying Director

2.5 Integration monitoring activities and sourcing decisions

The buying teams monitor every order given to every factory. On time deliveries, any quality issues are recorded.

The sourcing team or buying team visit every factory at least once per year and our main suppliers at least two times per year. At these meetings we discuss the performance for the previous season based on, on time shipments, quality issue, communication, fabric suppliers ETC

We discuss pricing level for the following seasons.

We also discuss new orders placed for the next season and try to resolve any issues that may have cause delays in the past that will help to improve the service going forward

If factories have a history of quality issues or are continuously late with shipments, then we need to iron out these issues and find a way to work better together.

Now after been affiliated to FWF for more than one year, FWF and the implications for suppliers is on the agenda for all meetings. When we meet a possible new supplier we introduce FWF to them and outline why we are affiliated to FWF and explain the aim to improve the conditions for the workers in our supply chain. If we do not think that they will be able to comply with FWF standards then we will not work with them

When we meet current suppliers again FWF is always on the agenda. If we have already audited their factory then we go through the CAP. We look to see what issues have been addressed and always encourage them to show improvements.

3. Coherent system for monitoring and remediation

3.1 Factory A/Country A

In total, OSC worked with 37 factories that make cut and sew items.

China

The majority of these are in China. Although it is getting difficult working with factories in China, taking into account the lack of workers, the strengthening of The RMB and the big increase in salaries, China still remains competitive due to productivity and also the quality produced there is very good and the conditions for workers has improved greatly over the last few years.

Most of the factories that we have had audited to date by Fair Wear Foundation (FWF) have been in China. Once we received the corrective action plan (CAP) from the audit team, within days we put our comments on the spreadsheet and forwarded to the factory and asking the factories to implement the necessary improvements within the time line as outlined by the audit team. In all cases the factories have agreed to follow the changes/improvements requested. We then follow up with visits to the factories and go through the CAP line by line with factory owners/manager. All of our factories in China are visited by our Buying and Sourcing teams at least once per year and in the case of our bigger suppliers, twice per year.

The most common issues raised are working hours and salary level. FWF has a target for all workers to be paid the living wage, but at a minimum for all workers to be paid more than the minimum wage. We have found that in all our audits, the workers in our factories are paid a lot more than the minimum wage, but less than the living wage. In China, in 2013 the average wage increase for the workers in our manufactures was 15%.

Health and safety issues are also a large factor of the audits and to date the factories have addressed any serious issues raised immediately once the issues have been brought to their attention. We have had one audit in a factory in China where another affiliate to FWF also sources from and we have worked together with the factory on the CAP. We have had one complaint from a worker in China, which our Sourcing Director addressed immediately and the complaint was resolved very quickly to the workers satisfaction. In 2013 we had FWF training in one factory in China, which was received very well by the factory, who reported that both factory management and workers benefited. More training is arranged for 2014.

Indonesia

OSC work with two factories in Indonesia, both are key suppliers for OSC. We have not carried out any audits in Indonesia, as FWF do not have their own audit team there, we are however in discussion with an independent audit company with a view to them auditing these factories for us.

Factory A

OSC represents 5% of their total turnover. We plan to audit here in 2014, as they are a key supplier for Ronhill. This factory has already been audited by a very prominent running brand, but unfortunately they will not share the audit with us. The buyer visits this factory once per year, either from Ronhill or by our Sourcing Director. The CoLP information board is clearly visible on their notice board. All the workers live locally and most have been working in this factory for a very long time.

Factory B

OSC also represents 5% of the total turnover at this factory. This factory is owned by a very large Indian company who have many factories in Indonesia, we manufacturer in one of them.

We plan to audit here in 2015.

This factory is visited once per year by either the buyer from Sprayway or by our Sourcing Director

Hungary/Ukraine

OSC buys from one manufacturer who has factories in these countries. OSC represents 34% of the business of this supplier. These factories were audited in early 2013 and the corrective action plans were immediately forwarded to them. All issues raised were discussed and a time frame was agreed to all issues to be rectified.

There are minimum wage, average wage and best practice wage levels in these countries. These factories pay above the minimum and average wage levels and below the best practice level. These factories do not work any overtime. These factories are visited on average four times each year by our buying and product teams and during every visit we follow up on the CoLP and look to see improvements.

3.3 External production

We had no external production in 2013.

4. Complaints procedure

We are committed to improving the conditions for all workers in our manufactures and will deal with all complaints quickly and in the workers interest. We have insured that the Fair Wear Foundation information board on The Code of Labour Practice is erected in a very prominent place in all our suppliers' factories. We have asked the factory owners to make sure the information board is brought to the attention of all workers and have made sure that that the phone number of the local FWF complaint handler is clearly displayed on every information board.

We received one complaint in 2013, from a worker in a factory in China. The complaint was

1. The plaintiff thought his wage of Sept 2013 was not correctly calculated
2. The plaintiff complained, the factory will detain 300 to 500 RMB from the wage if their piece wage of a specific month was too high; and they were not sure whether the detained portion was paid to them on the following month or not.

Our Sourcing Director immediately addressed this complaint with the factory owners. The Sourcing Director confirmed that

1. The wages for Sept 2013 were calculated properly
2. The reason why the person who complained thought their wages were incorrect was because they had a policy to retain part of wages that were earned during the months in high season and then give the retained portion to the workers in the months in the low season.

Our sourcing Director pointed out that this was indeed breaking the law and that under no circumstances could they retain part of workers wages. The factory owners responded by saying, the reason they did this was to help the workers by spreading the wages more evenly across peak season and low season and so that workers would not leave in low season if they were

receiving low wages. They pointed out that although they did this without the agreement of the workers that they never permanently kept the retained money and that they always paid the retained wages to the workers in the months immediately following peak season, in months without overtime.

After several conversations, the factory owners agreed to stop this practice and that with immediate effect they would pay the workers in full every month and so the complaint was resolved very quickly.

5. Training and capacity building

5.1 Activities to inform staff members

In our January 2012 newsletter we informed all our staff that we were affiliated to FWF. Our FWF affiliation is also mentioned in our ISO documents.

Each brand has a monthly brand meeting and FWF is a permanent item on the agenda. We have our affiliation posted on our web site and in our product catalogues.

We also have monthly management meetings and FWF is also a permanent item on the agenda for this meeting. Brian Connolly gives a monthly up-date to the meeting.

In November 2013, each brand presented their autumn 2014 range to staff of all brands including internal staff, all sales representatives, sales agents and distributors worldwide. Our Sourcing Director, Brian Connolly, gave a FWF presentation at each of the three sales presentations (Mountain Equipment, Sprayway and Ronhill)

5.2 Activities to inform agents

It is our policy not to work with agents/intermediaries, until recently we did work in India through an agent, but this has now changed and we now work directly with the factories in India.

We have our own office in China. It is managed by a Hong Kong national who has worked with us for fifteen years. He also has one merchandiser and three full time Quality control people working for him. Through this office we manage the quality that our suppliers produce.

5.3 Activities to inform manufacturers and workers

The CoLP information sheet is erected in the factories of all our suppliers. We have received and have on file a photograph from each supplier of the board in place.

Every supplier has completed the questionnaire, signed and returned it to us. Again all of these are on file.

We have encouraged all suppliers to inform all their workers, at a general meeting, about FWF and to ask the workers to read the CoLP information sheet.

We will provide some budget for 2014 to have a Workplace Education Programme in some of our factories in China. We will invite/suggest to approx four factories to do this training this year.

In the factories where we have already audited, the owners/managers are much more aware of their Ethical responsibilities. The audits have taught them to be more aware of health and safety and they are now trying to find ways to reduce overtime. We also find that these factories are communicating better with their workers and taking complaints more serious.

To date we have had one Fair Wear Foundation Training Programme in a factory in China. The owners and management of this factory have reported that both management and workers found the training to be very productive and they feel it will help them to improve communication between management and workers in the future. Another training programme is planned for March in a second factory in China.

6. Transparency & communication

All our brands have FWF on their homepage of their web sites. Inside is information on FWF. We also have the FWF logo on all our catalogues and each brand have two seasons per year, so therefore two catalogues per year.

All our garments have Hang Tags and we like to be able to put the FWF logo on these. When we joined FWF the policy was to put the logo on these after 90% of the production value was audited, which will be at the end of 2015 and we hope the policy changes again to allow this to happen, as to our mind this is the single best way to inform the general public.

We clearly display the FWF logo (along with the logos of our brands) at the trade fairs where we exhibit, ISPO, Outdoor Friedrichshafen and at OR in Salt Lake.

This is our second Social Report, which will be poster on our web site.

7. Corporate Social Responsibility

Down Codex

An internal Mountain Equipment initiative that is designed to ensure our down supply chain meets acceptable ethical, environmental and animal welfare standards. We have established a set of rules that all down suppliers must conform to and put an audit process in place to check that what is we are being told about our down supply is actually true. www.thedownproject.me.uk

‘Twenty Things to Do’

An internal Mountain Equipment initiative that consists of 20 set goals with the aim of gaining a wide range of environmental related benefits, addressing the areas of operations, travel, logistics, products, environment and community. The aims include increased efficiency, lower energy consumption, sustainable resources and reduction in waste production.

John Muir Trust

A charity supported by Mountain Equipment with an annual corporate membership subscription. The John Muir Trust is a leading UK charity dedicated to the protection of wild land for both nature and people. Inspired by the work, spirit and legacy of John Muir. www.jmt.org
European Outdoor Conservation Association (EOCA) a charity supported by Mountain Equipment with an annual corporate membership subscription. EOCA’s Mission is to support valuable conservation work by raising funds from within the European Outdoor sector and promoting care and respect for wild places. www.outdoorconservation.eu

Community Action Nepal (CAN)

A charity supported by Mountain Equipment with an annual cash donation. CAN helps to bring long term benefits to mountain peoples of Nepal. The charity has established more than 50 community projects focusing on health, water and sanitation, schools, education and cultural development. www.canepal.org.uk/

Plas y Brenin

A not for profit organisation supported by Mountain Equipment with annual large-scale supply of equipment. Plas y Brenin is the National Mountain centre for England and Wales, located at Capel Curig in Snowdonia. The centre is operated by the Mountain Training Trust, which aims to provide the widest range of outdoor opportunities offering the best in value. Www.pyb.co.uk/Sport Scotland Avalanche Information Service (SAIS)

A not for profit organisation supported by Mountain Equipment with annual large-scale supply of equipment. SAIS is funded by the Scottish Sports Council to publish daily forecasts of the avalanche, snow, and

climbing conditions at 5 key climbing areas of Scotland during the season. www.sais.gov.uk

Mark Clifford Mountaineering Grant

A grant established by Mountain Equipment in memory of a former employee. The grant's purpose is to support and encourage young Mountaineers by providing financial assistance enabling new routes, exploration and education that would otherwise not be possible.

www.markclifford.co.uk

Association of Mountaineering Instructors (AMI)

A membership organisation supported by Mountain Equipment with funding to assist in administrative costs. The AMI is the representative body for professionally qualified Mountaineering Instructors in the UK and Ireland. AMI is committed to promoting good practice in all mountaineering instruction. www.ami.org.uk

British Mountaineering Council (BMC)

A membership organisation supported by Mountain Equipment with an annual corporate membership subscription. The BMC is a national representative body that exists to protect the freedoms and promote the interests of climbers, hill walkers and mountaineers. The BMC also represents Britain on various international matters relating to climbing and mountaineering. www.thebmc.co.uk

Athlete of the Month Award Scheme

Monthly scheme set up to allow members of the public to nominate team-mates, coaches, children etc to be recognised and awarded for their success and commitment to running and/or their club. This is in joint partnership with Athletics Weekly magazine that produce a feature on the winner www.athleticsweekly.com. Sponsorship of clubs

Ronhill sponsors at least 6 grass roots running clubs across the UK. These clubs are: Aldershot, Farnham & District AC, Leeds City AC, Bingley Harriers, Bristol & West AC, and Salford Harriers & Tipton Harriers. Within each sponsorship deal we work together with the clubs to create youth development opportunities, for aspiring young athletes to take part in races and training academies alongside supplying kit requirements

<http://www.ronhill.com/content.php?conId=22>