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***MORE INFORMATION ABOUT
JACK WOLFSKIN'S APPROACH TO
CORPORATE RESPONSIBILITY:***

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AT HOME OUTDOORS

SUPPLIER SOCIAL REPORT 2012

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FOREWORD



DEAR READERS,

In the past few months, the textile industry has come under fire as a result of tragic accidents in South-East Asia. The topic of production conditions and responsibility within the supply chain are once again in the public eye – and rightly so, since public pressure can be highly effective in encouraging those who have not yet taken responsibility to do so. It also encourages us not to stand still, but to take further steps.

After all, we want you to be able to rely on the fact that we take responsibility very seriously. It is also important to us that we work together with our suppliers to improve working and living conditions in countries of production. Equally, it is important for us to report on this in a transparent way and that you can develop your own opinion of us and what we do on the basis of solid facts.

We do not claim to be the best but we want you to be able to buy our products with a clear conscience.

We have stood for responsibility for years now and want to renew this commitment by providing a detailed insight into our dealings with suppliers in this, our third Supplier Social Report.

At JACK WOLFSKIN, we are happy to have found a kindred spirit in the Fair Wear Foundation – one that accompanies us and carefully reviews our actions in our mission to achieve a responsible approach to suppliers and ensuring good working conditions in countries of production. As a multi-stakeholder initiative, the Fair Wear Foundation

also has various critical groups under its auspices. Only if we establish and maintain a dialogue with our detractors can we continue to develop.

Media reports have clearly shown that members of the Fair Wear Foundation draw a line between the effects of working conditions and production conditions on people. Many outdoor companies have now joined the Fair Wear Foundation and we look forward to the broadening acceptance of this organisation within the industry.

JACK WOLFSKIN's philosophy is to ensure the most stable and long-lasting supplier relationships possible. No one benefits when a supplier does badly in an audit, is changed for a new supplier and then continues to work for other customers with the same low standards. Over a period of years and decades, we have had many positive experiences of working together to help suppliers to develop their practices.

Having said that, we decided last year to cut our ties with some suppliers who, despite several attempts by the Fair Wear Foundation and all other efforts by the auditors and by us, did not manage to improve working and production conditions sufficiently.

The JACK WOLFSKIN brand has committed to manufacturing products responsibly and with excellent quality standards,

AND WE WILL CONTINUE WORKING IN LINE WITH THIS COMMITMENT IN THE FUTURE, TOO.

Christian Brandt

2 ABOUT JACK WOLFSKIN

MISSION STATEMENT: WE WANT TO BE ONE OF THE LEADING OUTDOOR BRANDS FOR PEOPLE. JACK WOLFSKIN IS AMBITIOUS, INNOVATIVE, AUTHENTIC, SURPRISING, SOCIAL, RESPONSIBLE, RELIABLE AND QUALITY-DRIVEN.

THE PASSION TO CREATE GREAT PRODUCTS IS WHAT DRIVES US. INNOVATION IS THE FUEL. WE ARE COMMITTED TO MAKING PRODUCTS THAT WORK. PRODUCTS THAT PROTECT YOU, KEEP YOU WARM, DRY AND COMFORTABLE, SEASON AFTER SEASON.

ABOUT US:

JACK WOLFSKIN was founded in 1981 and has been developing first-class functional products since then, firmly based on their intended application.

With their various patents and innovative, home-grown technologies, JACK WOLFSKIN products are groundbreaking in terms of functionality, comfort and convenience – and are now sold and used all over the world.

FOUNDED:

1981 IN FRANKFURT

HEADQUARTERS:

IDSTEIN (HESSE, TAUNUS) SINCE 1997

LEGAL FORM:

GMBH & CO. KGAA (LIMITED LIABILITY COMPANY)

EMPLOYEES:

APPROX. 700 (AS AT 04/2013)

MANAGEMENT:

CHIEF EXECUTIVE OFFICER (CEO): MICHAEL RUPP

CHIEF MARKETING AND

PRODUCT DEVELOPMENT OFFICER (CMO): ELKE STEIN

CHIEF OPERATIONS OFFICER (COO): CHRISTIAN BRANDT

CHIEF SALES OFFICER (CSO): MARKUS BÖTSCH

HEADQUARTERS OF CENTRAL

EUROPEAN WAREHOUSE: NEU WULMSTORF

TURNOVER IN 2012:

€351 MILLION

MARKET POSITIONING:

JACK WOLFSKIN IS ONE OF THE LEADING PROVIDERS OF FUNCTIONAL OUTDOOR CLOTHING, FOOTWEAR AND EQUIPMENT IN EUROPE AND HAS FOCUSED ON WEATHER PROTECTION FOR OVER 30 YEARS.

2.2 INTERNATIONAL SALES CHANNELS

JACK WOLFSKIN STORES

EUROPE (AS AT 05/2013)

GERMANY 242

AUSTRIA 22

SWITZERLAND 12

BELGIUM 9

UK 7

ITALY 7

POLAND 5

LUXEMBOURG 5

FRANCE 4

RUSSIA 3

NETHERLANDS 1

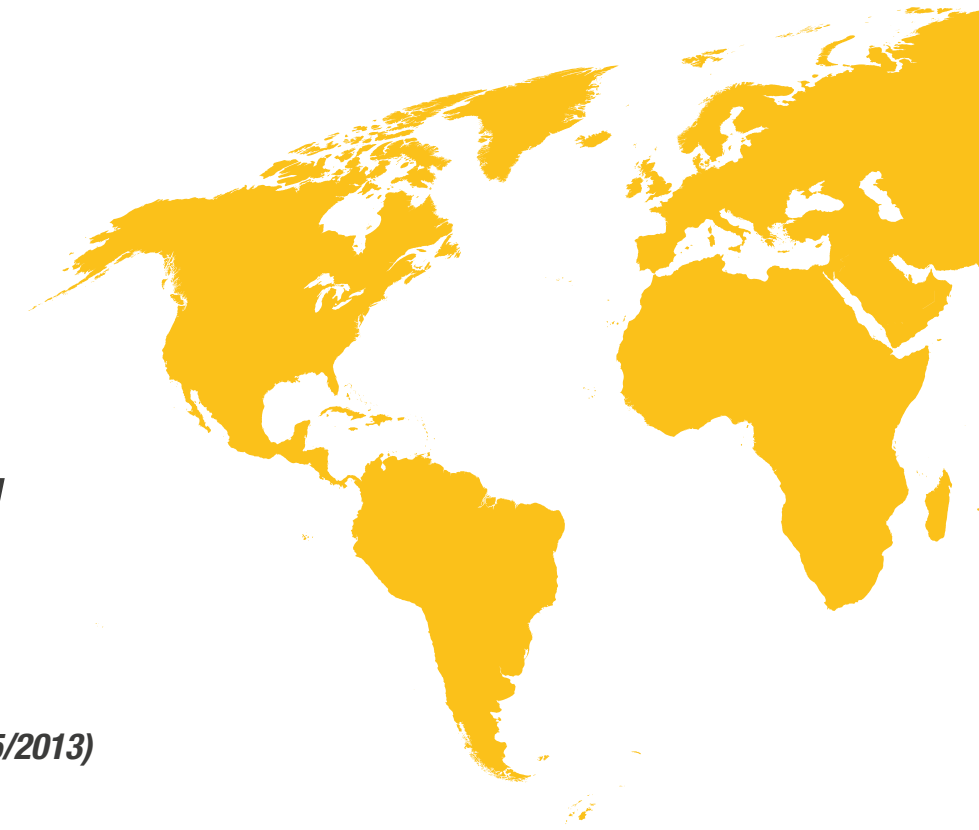
SLOVENIA 1

TURKEY 1

ASIA (AS AT 05/2013)

CHINA 466

SOUTH KOREA 35



JACK WOLFSKIN sells its products via various channels: specialist outdoor shops, specialist sports shops and JACK WOLFSKIN franchise stores. JACK WOLFSKIN is the biggest franchisor in the German sports retail market. Throughout Europe, there are now over 4,000 points of sale where JACK WOLFSKIN products are available. These points of

sale include JACK WOLFSKIN stores, which are almost all operated by franchisees; concessions; authorised dealers, offering a comprehensive selection of all three product lines; and many other points of sale in the specialist outdoor and sports retail segment.

2.3 SALES TRENDS OVER THE PAST FEW YEARS

In the 2012 financial year, the consolidated turnover of JACK WOLFSKIN was almost at par at €351 million, in contrast to growth of almost +22.5% the previous year. The slight downturn was primarily due to the difficult market situation in the primary sales market of Germany and Austria. However, the international markets – particularly Asia, the UK and Eastern Europe – continued to show excellent growth.

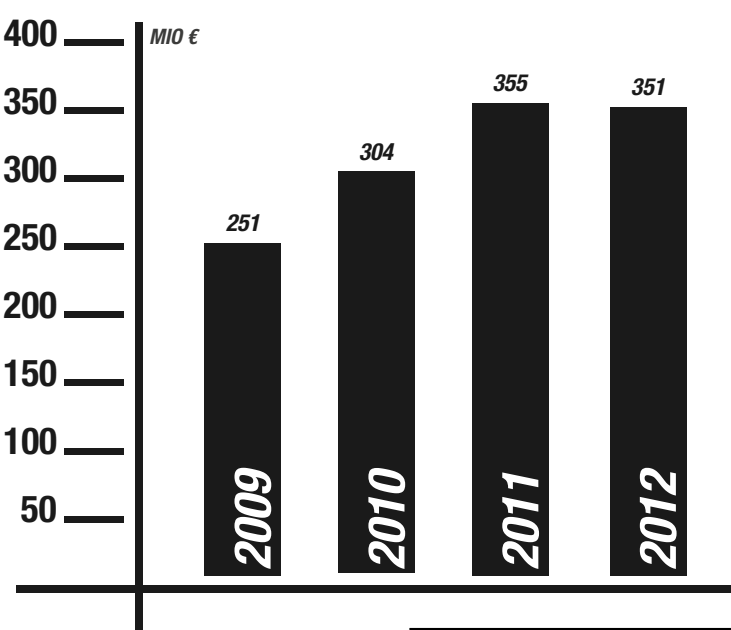


Figure: Sales trends 2009–2012



2.4 ORGANISATIONAL STRUCTURE OF JACK WOLFSKIN

JACK WOLFSKIN HAS RESTRUCTURED ITS OPERATIONS IN RECENT MONTHS.

AS SHOWN IN THE GRAPHIC BELOW, THE AREA OF VENDOR CONTROL IS CLOSELY LINKED TO THE PRODUCT DIVISIONS AND TO MANAGEMENT.

The area of Vendor Control monitors the socially responsible production of goods, as well as the environmental aspects of production and products. These tasks requires

close and trusting cooperation with every person in the supply chain, as well as in the three product divisions of Apparel, Footwear and Equipment. In addition to Vendor Control, the Corporate Sustainability department also deals with environmental aspects that are not directly linked to production, ensuring, for example, that the company’s environmental footprint is kept as small as possible. Emissions that cannot be avoided are offset (for more information, see the 2011/2012 Environmental Report).

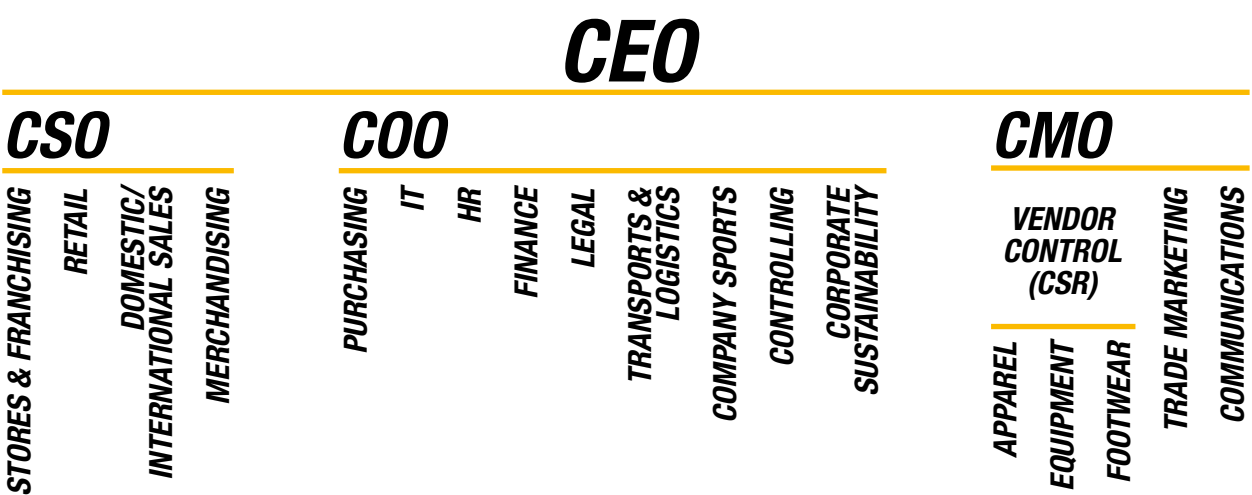


Figure: 2012 JACK WOLFSKIN organigram

2.5 JACK WOLFSKIN CR MANAGEMENT

JACK WOLFSKIN'S CR MANAGEMENT COVERS SEVERAL DEPARTMENTS AND COMPRISES THE FOLLOWING FIELDS OF ACTION:

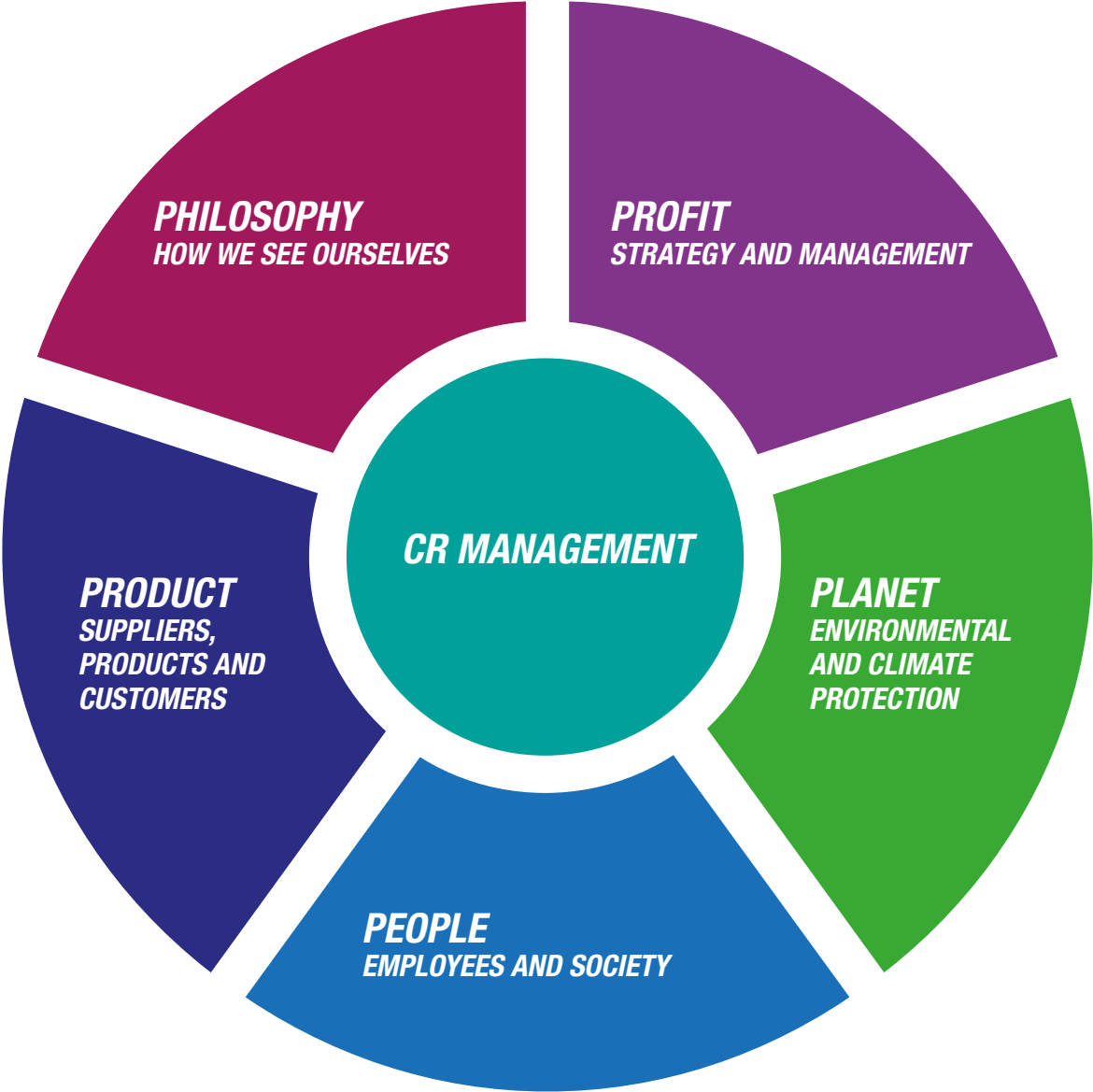


Figure: Areas of action for our Corporate Responsibility managers

2.6 PRODUCT SEGMENTS

JACK WOLFSKIN OFFERS ITS CUSTOMERS A COMPREHENSIVE SUMMER AND WINTER COLLECTION EVERY YEAR. THESE TWO COLLECTIONS FEATURE ALL THREE SEGMENTS, APPAREL, FOOTWEAR AND EQUIPMENT. DEPENDING ON THE SEASON, THE PRODUCTS VARY IN MANY WAYS OWING TO THE SIGNIFICANT DIFFERENCES IN SPECIALIST SUMMER OR WINTER ACTIVITIES.



APPAREL | FOOTWEAR | EQUIPMENT

Figure: JACK WOLFSKIN divisions

2.7 PRODUCT LINES WITHIN THE DIVISIONS

ALPINISM

OUR TECHNOLOGIES FOR APPAREL, FOOTWEAR AND EQUIPMENT ARE SOME OF THE BEST IN THE BUSINESS. IDEAL FOR THE CHALLENGES OF ALPINE TERRAIN AND INDIVIDUAL PERFORMANCE PROFILES.



TREKKING

FOR MULTI-DAY TREKS IN DIFFICULT TERRAIN: TREKKING APPAREL, FOOTWEAR AND EQUIPMENT ARE RELIABLE AND EXTREMELY HARD-WEARING.



HIKING

WEATHER PROTECTION AND WEAR COMFORT ARE VERY IMPORTANT. PRODUCTS FROM THE HIKING RANGE ARE PARTICULARLY SUITABLE FOR:

- SPONTANEOUS WEEKEND HIKES
- ACTIVE OUTDOOR SPORTS
- MOUNTAIN BIKING

ACCORDINGLY, VARIOUS MATERIALS AND TECHNOLOGIES ARE USED.

ACTIVE TRAIL

IDEAL FOR SHORT, ACTIVE HIKES AND FAST-PACED OUTDOOR ACTIVITIES WITHOUT MUCH LUGGAGE, CLIMATE COMFORT, SMALL PACK SIZE AND LOW WEIGHT ALL PLAY A CENTRAL ROLE.

KIDS/YOUTH

PRODUCTS FOR CHILDREN AND YOUNG PEOPLE WITH EXCEPTIONAL WEATHER PROTECTION. FOCUS ON RELIABLE, FUNCTIONAL MATERIALS AND SAFETY, AS WELL AS DETAILS SUITING DIFFERENT AGE GROUPS AND ACTIVITIES. DESIGNS AND TECHNOLOGIES IN THIS PRODUCT RANGE MEET ALL REQUIREMENTS FOR HOLIDAYS, CAMPING, SCHOOL OR LEISURE TIME.

TRAVEL

GOOD-VALUE ENTRY-LEVEL PRODUCTS THAT FEATURE SPECIAL FUNCTIONS FOR TRAVELLING: THEY ARE EASY TO CARE FOR, KEEP THE SUN AND/OR INSECTS OFF AND HAVE AIR VENTS AND/OR EXCELLENT MOISTURE MANAGEMENT SYSTEMS.

3 SOCIAL RESPONSIBILITY

WE ACKNOWLEDGE THAT WE ARE RESPONSIBLE FOR WHAT WE DO AND HOW WE DO IT. WE HONOUR OUR WORD AND COMMITMENTS, AND SO DO OUR PRODUCTS. TRUST IS OUR FOUNDATION.

We respect the diversity of nature and all creatures that live in it. Our planet is the most beautiful place in the universe and the only one we have. We want to protect it, experience it and share it with you.

JACK WOLFSKIN lives by its social and environmental principles and always strives to encourage its employees and society as a whole to take an active approach towards protecting and maintaining nature and to promote the fair treatment of people the world over.



3.1 SOCIAL RESPONSIBILITY ALONG THE SUPPLY CHAIN

JACK WOLFSKIN TOOK RESPONSIBILITY MANY YEARS AGO FOR GIVING ITS MANUFACTURERS AND THEIR EMPLOYEES THE TASK OF COMING UP WITH SOCIAL STANDARDS AND IMPLEMENTING THEM EFFECTIVELY WITHIN THE SUPPLY CHAIN.

As such, we drafted our Code of Conduct in 2008, communicated our ideas to our suppliers, trained them in the first steps and then conducted checks to ensure compliance. We still work in accordance with this basic principle today.

Through membership of the Fair Wear Foundation and an increasingly intensive dialogue with stakeholders both in Germany and abroad, we have managed to achieve further improvements to the system over the past few years.

We continue to work actively with our suppliers to improve processes. The dialogue with other members of the FWF and our active cooperation with them in terms of mutual suppliers helps us to push ahead more effectively with improvement processes and to support manufacturers with implementation.

JACK WOLFSKIN HAS NOW BEEN A MEMBER OF THE MULTI-STAKEHOLDER INITIATIVE, THE FAIR WEAR FOUNDATION, FOR THREE YEARS. WE ARE PROUD OF THE FACT THAT WE NOT ONLY COMPLY WITH ALL THE REQUIREMENTS IT HAS OF ITS MEMBERS, BUT ALSO FREQUENTLY EXCEED THEM.

We would like to emphasise in particular that we have never differentiated between the countries in which our suppliers were located (high-risk countries), in which industry they were involved (apparel, equipment or footwear), or how much turnover we achieve through that supplier. We have consistently followed our vision of taking each manufacturer into account equally in our auditing and training process because, for us, each manufacturer is a valuable partner that contributes towards our mutual success. As such, the employees of all our manufacturers are of equal importance to us.

We see our suppliers as partners with whom we have enjoyed many years, or even decades, of partnership. As a result, we are happy to invest in each and every one of them to help them expand their potential.

We see social responsibility as an ongoing process that is never really complete. With the dedicated cooperation of many of our suppliers, we have already been able to make excellent progress. We look forward to the coming tasks and challenges with which we will surely be confronted in the future in order to make sure we continue to improve with every year that passes.

3.2 2012 STUDIES ON THE TOPIC OF SUSTAINABILITY

Various audits were carried out by different companies during 2012 to investigate the efficacy of CR projects. Some of these studies specifically dealt with the outdoor industry. As a leading company in this sector, JACK WOLFSKIN was also audited.

3.2.1 CLEAN CLOTHES CAMPAIGN – 2012 OUTDOOR STUDY

WORKING CONDITIONS IN SUPPLIER FACTORIES AND CORPORATE STRATEGIES FOR CSR AND SOCIAL RESPONSIBILITY.

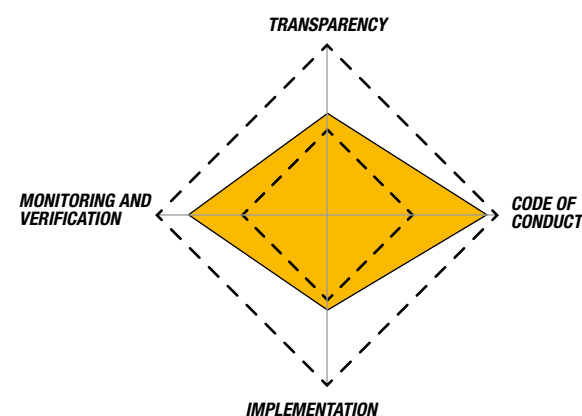
As part of the "Discover Fairness – taking a stand for human rights" campaign, the Clean Clothes Campaign (CCC) conducted its third survey of international outdoor companies in 2012 and published the results in the form of company profiles in November 2012. The study is a progress report on the development of outdoor companies in terms of social responsibility. The 2012 report is the continuation of the audits conducted in 2009 and 2010.

JACK WOLFSKIN has managed to improve with every survey and was awarded the highest category of "Advanced" in 2012.

Four different areas were assessed:

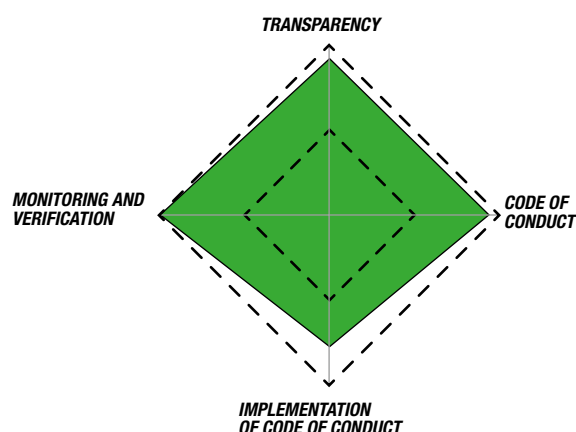
- **TRANSPARENCY**
- **CODE OF CONDUCT**
- **IMPLEMENTATION OF CODE OF CONDUCT**
- **MONITORING AND VERIFICATION**

2010 RESULTS



Source: <http://www.cleanclothes.ch/p18310.html>, accessed: 30/07/2013

2012 RESULTS



Source: <http://www.cleanclothes.ch/p20494.html>, accessed: 30/07/2013

IN THE 2012 AUDIT, THE CCC EVALUATED JACK WOLFSKIN AS FOLLOWS:

"Jack Wolfskin became a member of the multi-stakeholder initiative Fair Wear Foundation (FWF) in mid-2010. By becoming a member, the company showed its comprehensive commitment to improving working conditions at its production facilities. This involves verifying the conditions in the factories by integrating local NGOs and trade unions as well as regularly assessing management processes in the company in question.

In addition to the 2011 social report, a brand performance check from 2012 is also available on the FWF website. The FWF certifies that Jack Wolfskin has fulfilled the management requirements of the FWF and even exceeds them in some cases.

The company has also achieved a high level of transparency in terms of the progress made and challenges faced in the improvement of working conditions. The verification process measures the concrete progress made in implementation in the factories and checks whether the member company and the measures implemented in the factory actually lead to real improvements. This all means that Jack Wolfskin has taken real responsibility for the implementation of the guidelines and does not simply palm them off onto the suppliers. Another important point is that the company has committed to paying wages that ensure people can make a living. This is a prerequisite for people working at the factories to be able to live a life of dignity. Jack Wolfskin has a department dedicated solely to monitoring suppliers.

In 2011, Jack Wolfskin showed real commitment to dealing with complaints from workers, reacting quickly to complaints from workers in Indonesia. Jack Wolfskin started to solve the problem even before the FWF complaints management system came into action. In order to resolve the situation, Jack Wolfskin actively sought cooperation with other companies that also have products manufactured in the Indonesian factory in question.

The guideline on child labour as developed by the Fair Wear Foundation is another positive development (following the end of the CCC survey and published in October 2012). It outlines the procedure to be followed when children are found to be working in a supplier's factory. The guideline applies to all companies in the Foundation, i.e. also to Jack Wolfskin."

Source: http://www.ci-romero.de/ccc_jackwolfskin/, accessed: 30/07/2013

3.2.2 STIFTUNG WARENTEST

THE STIFTUNG WARENTEST CONSUMER ASSOCIATION ALSO CONDUCTED AN AUDIT OF 17 FUNCTIONAL JACKETS IN 2012, TAKING INTO ACCOUNT THE SOCIAL RESPONSIBILITY ASPECTS OF THEIR PRODUCTION, AMONGST OTHER THINGS. THE RESULTS WERE PUBLISHED IN THE 08/2012 ISSUE OF ITS MAGAZINE.

Stiftung Warentest initiated a three-part audit of the selected companies to this end.

In the first step, very detailed questionnaires were handed out that referred to all areas of corporate responsibility. The relationship with suppliers and employees, as well as the company's approach to nature and its accountability to customers were all evaluated.

JACK WOLFSKIN RECEIVED THE HIGHEST RATING OF "VERY GOOD" FROM STIFTUNG WARENTEST FOR TRANSPARENCY.

The second stage involved a one-day company audit at which an external auditor visited JACK WOLFSKIN and checked documents on the information provided, verifying the truthfulness of statements made.

JACK WOLFSKIN'S CORPORATE POLICY WAS EVALUATED AS "GOOD" BY THE INDEPENDENT AUDITORY, WHICH WAS ALSO THE BEST RATING IN THIS CATEGORY.

In the third stage, the production facility in Vietnam that manufactures some JACK WOLFSKIN jackets was also visited and evaluated by three auditors. This is a facility that has already been audited by JACK WOLFSKIN and where training sessions have been carried out.

THE PRODUCTION CONDITIONS AND ENVIRONMENTAL PROTECTION IN THE READY-TO-WEAR FACILITY WERE EVALUATED AS "SATISFACTORY" BY INDEPENDENT AUDITORS.

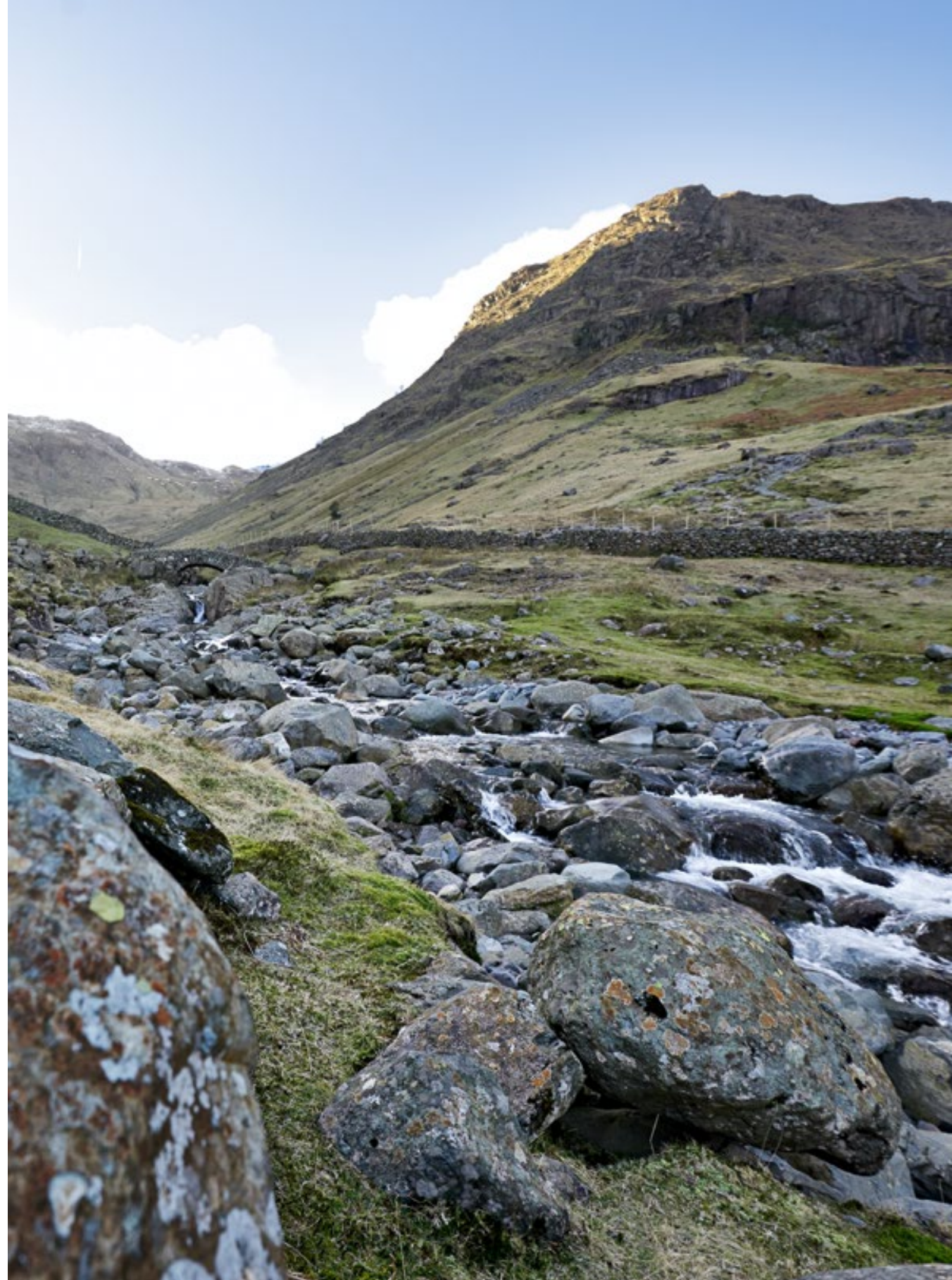
The upstream steps such as the production of buttons, zips, fabrics and membranes, as well as dyeing fabrics, were evaluated solely on the basis of the written documentation available. These production facilities were not visited.

On this basis, the working conditions were generally evaluated as "sufficient" in most cases as a result of scant information being available, although the auditors awarded the rating of "good" to environmental protection at these stages of production. Stiftung Warentest saw room for improvement in terms of textiles, which was rated "inadequate".

Stiftung Warentest also summarised that JACK WOLFSKIN was one of three companies to show real dedication.

JACK WOLFSKIN also impressed the auditors when it came to CR strategy.

The authors were, however, critical of the fact that more overtime was being done in the production facility than is permitted.



4 TARGETS AND RESULTS 2012

TARGETS FOR 2012	RESULTS	TARGET NOT REALIZED	TARGET PARTIALLY ACHIEVED	TARGET ACHIEVED
TARGETS SET OUT IN THE 2011 SUPPLIER SOCIAL REPORT				
REGULAR AUDITS FOR MANUFACTURERS IN ALL DIVISIONS TO MAINTAIN 100% AUDIT COVERAGE	100% of JACK WOLFSKIN's purchasing volume comes from audited suppliers.			
CARRYING OUT TRAINING SESSIONS IN ORDER TO ADDRESS WEAK POINTS OF PARTICULAR MANUFACTURERS OR COUNTRIES MORE EFFECTIVELY	In July 2012, JACK WOLFSKIN conducted two training sessions for Chinese footwear manufacturers on the topic of "Chemical health and safety in shoe production". Participation was mandatory for those suppliers who have the biggest impact on our turnover.			
OPTIMISATION OF OUR NEW PROCESSES FOR THE LONG-TERM INTEGRATION OF NEW SUPPLIERS	The process was applied for all potential new suppliers. The first results show that the quality of the suppliers with whom there is a partnership was improved in all areas (product quality, willingness to implement our social standards, communication with departments involved, etc.).			
IMPLEMENTATION OF THE EXPANDED EVALUATION SCALE	The switch-over process could not begin in January 2012 as planned. The audit results have been published according to the new system since December 2012. All audit results from 2012 were recalculated retrospectively in line with the new scale with the help of our audit company.			
DEVELOPMENT AND OPTIMISATION OF THE SUPPLIER EVALUATION SYSTEM	Since the FWF complaints management system and the Com-Box introduced by JACK WOLFSKIN are effective mechanisms, we have decided against any further expansion of our system. Instead, JACK WOLFSKIN will try to win over as many suppliers as possible for the FWF "Workplace Education Programme". This programme explains to employees all the options they have if they have a complaint.			
EXPANSION OF OUR VENDOR CONTROL TEAM	An extra person joined our team in July 2012. The new position primarily relates to the joint implementation of environmental standards alongside our suppliers. The bluesign® system is a large part of this, as is input stream management.			
IN COOPERATION WITH FWF: CHECKING WHETHER IT IS POSSIBLE TO SET UP A MUTUAL SUPPORT FUND THAT CAN BE USED TO SUPPORT EMPLOYEES IN THE EVENT OF GRIEVANCES	The Fair Wear Foundation has set up a fund that is primarily intended to provide employees at production facilities with the communication materials required in the event of a grievance. The idea for this kind of fund was provided by JACK WOLFSKIN.			

TARGETS FOR 2012	RESULTS	TARGET NOT REALIZED	TARGET PARTIALLY ACHIEVED	TARGET ACHIEVED
OTHER PERMANENT TASKS				
VERIFICATION AUDITS BY FWF	FWF only carried out one verification audit for a JACK WOLFSKIN supplier in 2012.			
EXTERNAL COMMUNICATION OF FWF MEMBERSHIP	JACK WOLFSKIN has communicated its FWF membership via the following channels: <ul style="list-style-type: none">■ On all hang tags on sewn products■ On the JACK WOLFSKIN website■ In the JACK WOLFSKIN catalogue (circulation: 1.5 million) and via various folders■ Via sales documents■ At trade fairs via the trade fair stand■ Via the supplier social report, which was printed in 2011 in German and English with a run of 5,000 copies.■ Targeted information provided to major clients■ Communication for end customers via the JACK WOLFSKIN blog, which was used to circulate the "Fair Wear Formula" film			
INTERNAL COMMUNICATION OF FWF MEMBERSHIP	<ul style="list-style-type: none">■ All JACK WOLFSKIN members travelling to production facilities were trained extensively in the Code of Conduct■ Sales employees receive regular information about JACK WOLFSKIN's sustainability activities so that they can offer customers good advice.			
ACCOMPANYING COMMUNICATION ABOUT THE 2011 SUPPLIER SOCIAL REPORT	<ul style="list-style-type: none">■ Press release■ Published on the JACK WOLFSKIN website■ Published on the FWF website■ Copies of the report in stores, at trade fairs and events (print run of 5,000 plus digital version)■ Report available in several languages			
INFORMATION ABOUT THE RESULTS OF THE "2012 BRAND PERFORMANCE CHECK"	<ul style="list-style-type: none">■ Press release■ Published on the JACK WOLFSKIN website■ Published on the FWF website■ Information at our trade fair stands			
STAKEHOLDER DIALOGUE	<ul style="list-style-type: none">■ JACK WOLFSKIN maintains a healthy dialogue with various NGOs, including various sponsors of CCC in Germany, Austria and the Netherlands, to name a few.			

Table: Targets and Results

5 PURCHASING AND PROCUREMENT STRATEGY

JACK WOLFSKIN'S MISSION IS TO MANUFACTURE HIGH-QUALITY AND DURABLE PRODUCTS IN A SUSTAINABLE WAY, TAKING INTO ACCOUNT ECONOMIC, ENVIRONMENTAL AND SOCIAL ASPECTS. THIS IS WHY JACK WOLFSKIN BUILDS UP LASTING RELATIONSHIPS WITH SUPPLIERS.
JACK WOLFSKIN PRODUCTS ARE MANUFACTURED IN ASIA AND EUROPE. THE MAIN PRODUCTION COUNTRIES ARE CHINA, VIETNAM, BANGLADESH AND INDONESIA.

5.1 SOCIALLY RESPONSIBLE MANUFACTURER MANAGEMENT

JACK WOLFSKIN IS AWARE OF ITS RESPONSIBILITY TO ITS MANUFACTURERS AND THEIR EMPLOYEES AND IS HAPPY TO ADDRESS THIS TASK WITH DEDICATION AND ENTHUSIASM. THE FOLLOWING POINTS DESCRIBE THE BASIC ELEMENTS OF MANUFACTURER MANAGEMENT WITH REGARD TO SOCIAL RESPONSIBILITY.

MANUFACTURER SELECTION:

When selecting a manufacturer, JACK WOLFSKIN's main aim is a lasting and long-term partnership. From our point of view, this is why selecting the partner we work with carefully is so important. Before establishing a partnership, each new potential supplier has to go through a test phase in which JACK WOLFSKIN evaluates whether or not the supplier fulfils all the necessary requirements.

SIGNING THE CODE OF CONDUCT:

Each manufacturer that JACK WOLFSKIN works with first has to accept and sign a Code of Conduct (CoC). The Code of Conduct includes guidelines on management methods, working times, pay, child labour, forced labour, the right to collective representation and bargaining,

discrimination, health and safety at work, as well as environmental topics. The CoC can be read in various languages on the JACK WOLFSKIN website.

MONITORING:

As of 2008, production facilities in which JACK WOLFSKIN products are manufactured are monitored by an independent company. Compliance with the Code of Conduct was monitored and assessed during the audits by touring the factories, checking documentation, interviewing employees, the management and other stakeholders.

CORRECTIVE ACTION PLAN (CAP):

Following an audit, a report is written that details the results and contains an evaluation of the individual points of the Code of Conduct. This report is then used as the basis of a Corrective Action Plan (CAP), which lists all the points where there is room for improvement. The manufacturers receive the CAP, which provides details of the measures to be taken, and have to implement them successively within a realistic time period. Progress in terms of implementing these measures is checked regularly.



FOLLOW-UP VISITS:

Depending on the results of the audit, follow-up visits between audits may be made to the manufacturer's facilities. These short visits to the production facilities by the auditors serve to check the improvement measures are being implemented and to come up with solutions where necessary, which the manufacturers are then responsible for tracking themselves.

DIALOGUE WITH TRADE UNIONS AND OTHER ORGANISATIONS:

To make sure everyone is kept up to date regarding changes, problems or new developments with regard to local trade unions, regional employee groups or other stakeholders, the external auditing and qualification company is in constant dialogue with various organisations in the countries of production. At the same time, Fair Wear Foundation provides useful comments and information on various topical issues for the local organisations. Close dialogue between Fair Wear Foundation and its members on a national and international level also promotes understanding for the problems faced by those concerned and can help to find solutions.

TRAINING MEASURES:

JACK WOLFSKIN offers training sessions to its manufacturers in order to expand and promote their skills on various levels (management, middle management, employees). The topics of the training sessions are tailored to the participants' individual requirements and are free of charge for manufacturers. FWF also provides an extensive training programme for member companies and their production facilities.

5.2 THE COMPREHENSIVE SUPPLIER EVALUATION SYSTEM

JACK WOLFSKIN'S COMPREHENSIVE SUPPLIER EVALUATION SYSTEM IS A NEW AND EFFECTIVE INSTRUMENT FOR GAUGING THE PERFORMANCE OF A SUPPLIER OR VARIOUS SUPPLIERS IN VARIOUS AREAS BOTH QUICKLY AND EASILY. THE EVALUATION SYSTEM ALSO OFFERS MORE IN-DEPTH INFORMATION ON EACH POINT IN THE OVERALL EVALUATION. EACH SUPPLIER IS EVALUATED TWICE A YEAR, I.E. AFTER EACH COLLECTION.

The evaluation system described here refers to the overall performance of a supplier with regard to various items as set out by JACK WOLFSKIN. This method ensures that suppliers not only optimise a particular area essential to evaluation, such as price, but also other aspects such as quality or compliance with CoC. It also helps to identify weak points for individual suppliers and to work on improving them together. This comprehensive approach to evaluation also fosters long-term supplier relationships.

The evaluation scale goes from 1 = unacceptable to 10 = best practice.

- SUPPLIER 1 VN
- SUPPLIER 2 VN
- SUPPLIER 3 ID
- SUPPLIER 4 CN

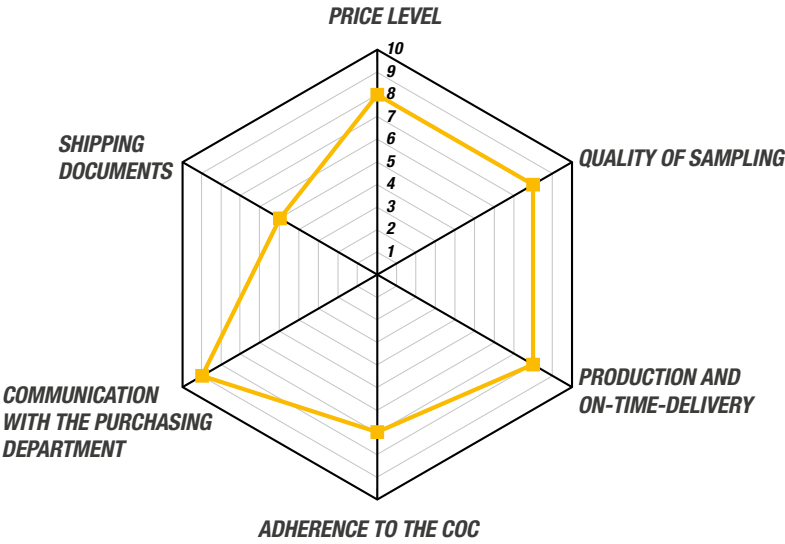


Figure: Presentation of the evaluation of an individual supplier within the supplier evaluation system

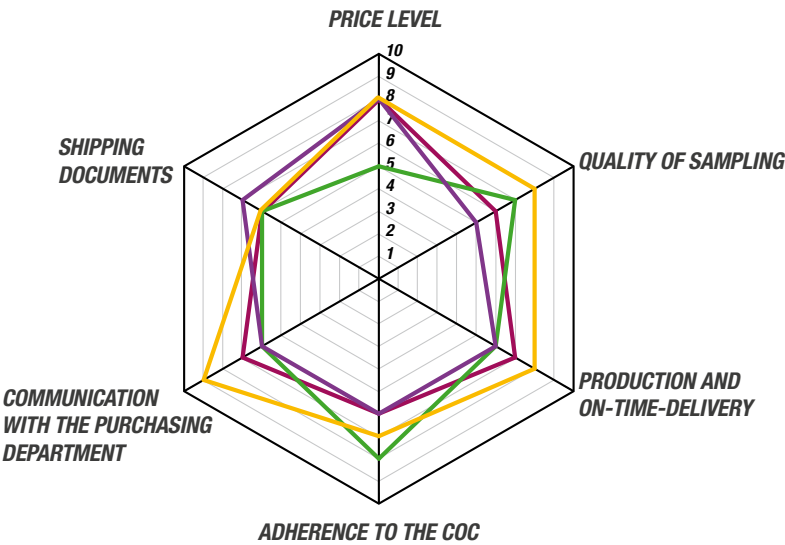


Figure: Presentation of the evaluation of several suppliers in one graphic

5.3 SOCIAL AUDITING AND EVALUATION CRITERIA

JACK WOLFSKIN has been evaluating its suppliers according to a ten-point scale since 2012, where one is the worst and ten is the best. The ratings in individual categories are only assigned by external social auditors. With the switch-over from a five-point to a ten-point scale, small changes have already become discernible in supplier performance in the audit reports. As a result, both JACK WOLFSKIN and the supplier have the opportunity to take action earlier.

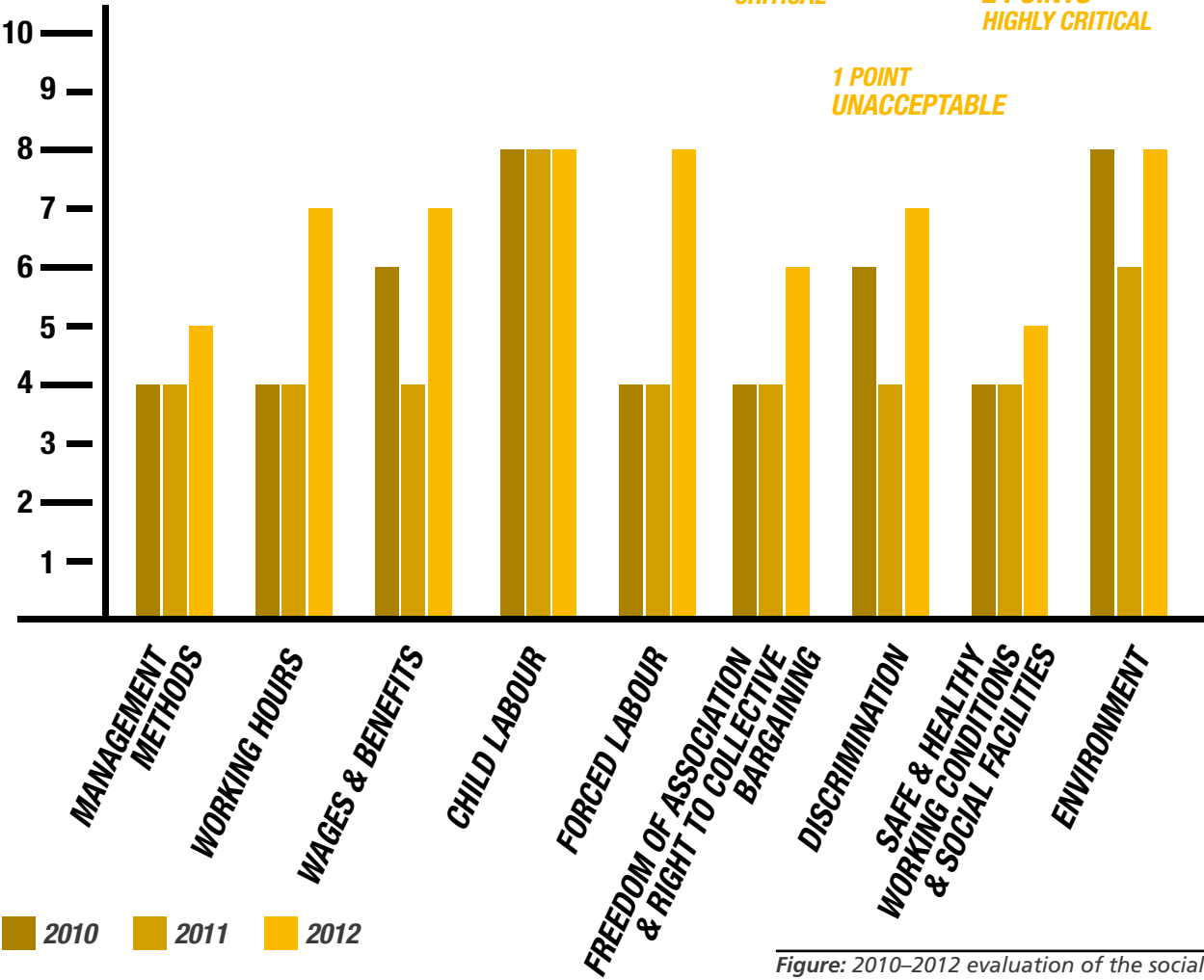


Figure: 2010–2012 evaluation of the social performance of a supplier

10 POINTS
BEST PRACTICE

9 POINTS
FULLY COMPLIANT WITH THE CODE OF CONDUCT

8 POINTS
SYSTEMATICALLY MANAGED; SOME MINOR OVERSIGHTS

7 POINTS
SYSTEMATICALLY MANAGED; NOT EVERYTHING PROVEN

6 POINTS
IMPROVEMENTS RECOMMENDED

5 POINTS
IMPROVEMENTS REQUIRED; GENERALLY IN LESS CRITICAL AREAS

4 POINTS
IMPROVEMENTS REQUIRED

3 POINTS
CRITICAL

2 POINTS
HIGHLY CRITICAL

1 POINT
UNACCEPTABLE



5.4 2012 MANUFACTURERS, COUNTRIES OF PRODUCTION AND AUDITS

In 2012, JACK WOLFSKIN manufacturers underwent a total of 71 audits and 22 follow-up visits via an external auditing company. Not only were those suppliers audited with whom there was already an active partnership, but also those with whom there was the potential for a partnership.

The audit results of potential suppliers play an important role in the decision for or against a long-term partnership. JACK WOLFSKIN carries the costs for all audits.

	JAN 12	FEB 12	MAR 12	APR 12	MAY 12	JUN 12	JUL 12	AUG 12	SEP 12	OCT 12	NOV 12	DEC 12	TOTAL
AUDIT OF ACTIVE SUPPLIERS	6	1	0	5	8	0	9	6	0	5	10	6	56
AUDIT OF ACTIVE AND INACTIVE SUPPLIERS	9	3	4	5	8	0	10	6	0	5	13	8	71
FOLLOW-UP VISITS TO ACTIVE SUPPLIERS	7	1	0	3	0	2	1	0	0	0	0	2	16
FOLLOW-UP VISITS TO ACTIVE AND INACTIVE SUPPLIERS	10	2	0	3	0	4	1	0	0	0	0	2	22

Table: Number of audits and follow-up visits in 2012

5.4.1 OVERVIEW OF MANUFACTURERS AUDITED

The following table shows all suppliers and sub-manufacturers with whom JACK WOLFSKIN worked during 2012. It is clear that

- all product divisions (apparel/equipment/footwear)
- all countries of manufacture, regardless of whether they are viewed as critical or less than critical by the Fair Wear Foundation,
- main suppliers and their authorised sub-manufacturers
- existing and new suppliers

are audited for compliance with the Code of Conduct with regular monitoring. 100% of JACK WOLFSKIN’s suppliers have been audited by independent auditors at least once, and often twice or three times, during the past three years. As such, JACK WOLFSKIN surpasses the audit quote as stipulated by FWF of 90% of the purchasing volume within any three-year period.

KEY	
AP	Apparel
EQ	Equipment
FW	Footwear
BD	Bangladesh
BG	Bulgaria
CN	China
ID	Indonesia
IN	India
IT	Italy
KH	Cambodia
KR	South Korea
RO	Romania
SI	Slovenia
TH	Thailand
TR	Turkey
TW	Taiwan
VN	Vietnam
M	Main supplier
S	Sub-manufacturer
	No partnership
-	No audit conducted

DIVISION	COUNTRY	SUPPLIER NUMBER	TOTAL AMOUNT PRODUCED IN %	PURCHASING VOLUME IN %	TYPE OF MANUFACTURER	DURATION OF PARTNERSHIP	AUDITS 2009	AUDITS 2010	AUDITS 2011	AUDITS 2012	COMMENT/ CERTIFICATION/ FWF AUDIT
AP	TH	0130	6.74	2.74	M	>10 years	Oct 09	Dec 10	Apr 11	Jan 12	FWF verification audit, April 2011
AP	TH	0132			S	>5 years	Oct 09	Nov 10	-	Jan 12	
AP	TH	0136			S	>5 years	Oct 09	Nov 10	-	Jan 12	
AP	TH	0131			S	>5 years	Nov 09	Nov 10	-	Jan 12	
AP	CN	4030	1.50	3.20	M	>5 years	Jan 09	-	Mar 11	Apr 12	
AP	CN	4031			S	>5 years	-	Mar 10 / Sept 10	Oct 11	Dec 12	
AP	CN	4032			S	>5 years	-	Mar 10 / Sept 11	Oct 11	Dec 12	
AP	CN	4033			S	<5 years		Sep 10	Oct 11	Dec 12	
AP	CN	2490	1.11	2.48	M	>10 years	-	-	Mar 11	Apr 12	
AP	CN	2491			S	>5 years		Jan 10	Jun 11	May 12	
AP	VN	2750	7.48	17.47	M	>5 years	May 09	Aug 10	Jul 11	Jul 12	
AP	VN	2755			S	>5 years	-	-	Aug 11	Aug 12	SA 8000
AP	VN	2756			S	<5 years			Aug 11	Jul 12	
AP	VN	2758			S	<5 years				Jul 12	
AP	ID	2751			M	>10 years	Aug 09	Nov 10	Nov 11	Nov 12	
AP	CN	0780	7.39	1.96	M	>10 years	-	Jan 10	Apr 11	Apr 12	
AP	CN	0781			M	>5 years	Mar 09	-	Jun 11	May 12	
AP	SI	4521	1.55	0.22	M	>5 years	-	Apr 10	Jun 11	-	Implementation of a social management system in 2012
AP	SI	4525			S	>5 years	-	Apr 10	Jun 11	-	Implementation of a social management system in 2012
AP	SI	4526			S	>5 years	-	Apr 10	Jun 11	-	Implementation of a social management system in 2012
AP	IT	4520			M	>10 years	-	Jun 10	Jun 11	-	Implementation of a social management system in 2012

DIVISION	COUNTRY	SUPPLIER NUMBER	TOTAL AMOUNT PRODUCED IN %	PURCHASING VOLUME IN %	TYPE OF MANUFACTURER	DURATION OF PARTNERSHIP	AUDITS 2009	AUDITS 2010	AUDITS 2011	AUDITS 2012	COMMENT/ CERTIFICATION/ FWF AUDIT
AP	IT	4522	1.55	0.22	S	>10 years	-	-	Jun 11	-	Implementation of a social management system in 2012
AP	IT	4523			S	>10 years	-	-	Jun 11	-	Implementation of a social management system in 2012
AP	IT	4524			S	>10 years	-	Jun 10	-	-	Implementation of a social management system in 2012
AP	VN	4300	9.60	6.97	M	>5 years	May 09	Jul 10	Aug 11	Aug 12	
AP	VN	4302			S	<5 years				Jul 12	
AP	BG	4900	0.16	0.09	M	>5 years	-	-	Dec 11	-	
AP	BG	4901			S	<5 years		-	Dec 11	-	
AP	IN	6010	0.27	0.80	M	<5 years			Nov 11	Nov 12	
AP	IN	6012			S	<5 years			Nov 11	Nov 12	
AP	IN	6013			S	<5 years			Nov 11	Nov 12	
AP	VN	4530	1.72	2.83	M	>5 years	Jun 09	Jun 10	Oct 11	Jul 12	Shared audit with another member of FWF, October 2011
AP	TR	3360	2.70	1.50	M	>10 years	-	May 10	Aug 11	-	FWF verification audit, August 2011
AP	CN	5120	1.07	0.52	M	>5 years	Jan 09	Mar 10	May 11	May 12	
AP	ID	4790	0.70	1.03	M	>5 years	Aug 09	Nov 10	Nov 11	Nov 12	
AP	IN	5250	1.50	0.53	M	>5 years	Sep 09	Aug 10	Nov 11	Nov 12	
AP	VN	5200	1.25	1.05	M	>5 years	Nov 09	Jul 10	Jul 11	Jul 12	SA 8000
AP	VN	5190	1.65	0.97	M	>5 years	Jun 09	Jun 10	Jul 11	Jul 12	
AP	CN	4890	3.86	5.59	M	>5 years	-	Jan 10	Mar 11	Apr 12	
AP	IT	2190	0.43	0.08	M	>5 years	Jun 09	Jun 10	-	-	
AP	VN	4020	1.09	0.59	M	>5 years	Jun 09	Aug 10	Aug 11	-	
AP	CN	5220	3.82	0.68	M	>5 years	Jan 09	-	Apr 11	Dec 12	

DIVISION	COUNTRY	SUPPLIER NUMBER	TOTAL AMOUNT PRODUCED IN %	PURCHASING VOLUME IN %	TYPE OF MANUFACTURER	DURATION OF PARTNERSHIP	AUDITS 2009	AUDITS 2010	AUDITS 2011	AUDITS 2012	COMMENT/ CERTIFICATION/ FWF AUDIT
AP	BD	2220	8.48	17.79	M	>5 years	-	Aug 10	May 11	-	FWF verification audit, May 2011
AP	KH	5660	0.46	0.39	M	<5 years		Jun 10	-	-	
AP	TH	5670	0.51	0.97	M	<5 years		Nov 10	-	Jan 12	
AP	ID	5750	1.33	3.00	M	<5 years		Nov 10	Nov 11	Nov 12	
AP	ID	5790	0.51	0.39	M	<5 years		Nov 10	Nov 11	Nov 12	
AP	ID	5980	0.51	0.74	M	<5 years		Nov 10	Nov 11	Nov 12	
AP	ID	5800	0.74	0.28	M	<5 years			Nov 11	Nov 12	
AP	IN	5260	3.48	0.89	M	>5 years	Sep 09	Aug 10	Oct 11	-	Partnership ended in 2012
EQ	VN	5130	2.04	1.93	M	>5 years	Jun 09	Jul 10	Aug 11	Aug 12	
EQ	CN	0030	2.31	0.48	M	>10 years	Feb 09	Jan 10	Mar 11	Apr 12	
EQ	VN	4720	6.71	2.74	M	>5 years	Jun 09	Jul 10/ Dec 10	-	Jul 12	FWF verification audit, Dec 2010; SA 8000
EQ	VN	4721			S	<5 years			Aug 11	Jul 12	
EQ	VN	4722			S	<5 years				Jan 12	
EQ	CN	4730	0.40	0.80	M	>5 years	Jan 09	Feb 10	May 11	May 12	
EQ	CN	4731			M	>5 years	-	Feb 10	May 11	May 12	
EQ	CN	4620	0.54	0.16	M	>5 years	Mar 09	Mar 10	Apr 11	May 12	
EQ	CN	4621			M	>5 years	Feb 09	Mar 10	May 11	May 12	
EQ	VN	4750	0.16	0.52	M	>5 years	Jun 09	Jul 10/ Dec 10	Aug 11	Aug 12	
EQ	VN	5400	1.60	0.79	M	<5 years	Jun 09	Jul 10/ Dec 10	Aug 11	Aug 12	
EQ	TW	3200	0.04	0.05	M	>10 years	-	-	Jun 11	-	
EQ	KR	4230	0.17	0.04	M	>5 years	-	-	Jun 11	-	
EQ	BD	5840	0.88	0.38	M	<5 years			Feb 11	-	

DIVISION	COUNTRY	SUPPLIER NUMBER	TOTAL AMOUNT PRODUCED IN %	PURCHASING VOLUME IN %	TYPE OF MANUFACTURER	DURATION OF PARTNERSHIP	AUDITS 2009	AUDITS 2010	AUDITS 2011	AUDITS 2012	COMMENT/ CERTIFICATION/ FWF AUDIT
FW	RO	5410	0.06	0.14	M	<5 years	-	-	Jul 11	-	
FW	KH	3922	5.54	7.45	M	<5 years		-	Nov 11	Dec 12	
FW	VN	3923			M	>5 years	Jun 09	Jun 10	Jul 11	May 12	FWF verification audit, May 2012
FW	VN	3926			M	>5 years			Aug 11	Aug 12	
FW	CN	3927			M	<5 years				Feb 12	
FW	CN	3928			M	<5 years				Oct 12	
FW	CN	5681	4.62	2.67	M	<5 years		-	May 11	Oct 12	
FW	CN	5682			M	<5 years			Sep 11	Dec 12	
FW	CN	5683			M	<5 years			Apr 11	Oct 12	
FW	CN	5684			M	<5 years			May 11	Oct 12	
FW	CN	5685			M	<5 years			Sep 11	Oct 12	
FW	CN	5820	1.86	1.98	M	<5 years			Sep 11	-	Partnership ended in 2012
FW	CN	5821			M	<5 years			Jun 11	-	Partnership ended in 2012
FW	CN	5920	0.86	0.68	M	<5 years			Sep 11	-	Partnership ended in 2012

Table: Manufacturer audits

5.4.2 OVERVIEW OF AUDIT RESULTS FOR 2012

The audit results for suppliers active in 2012 are shown in the graphic below. It is clear that the majority of suppliers scored between five and eight points. It is also clear that there are still some manufacturers that have problems with regard to complying with the social standards set out in the Code of Conduct. JACK WOLFSKIN provided training on critical topics for some of these manufacturers in 2012. In order to improve the potential for implementing the processes learned, the training sessions were backed up by an intensive follow-up process at the manufacturers' facilities.

Unfortunately, JACK WOLFSKIN had to stop working with some manufacturers in 2012 because social and quality standards had consistently not been complied with. Almost half of suppliers received between seven and ten points for their overall performance. A further 30% were in the middle of the range. Unfortunately, 23% of active suppliers in 2012 received negative audit results. In 2013, JACK WOLFSKIN will work particularly closely with those suppliers who are ranked in the lower categories in order to initiate change processes and establish long-term improvements.

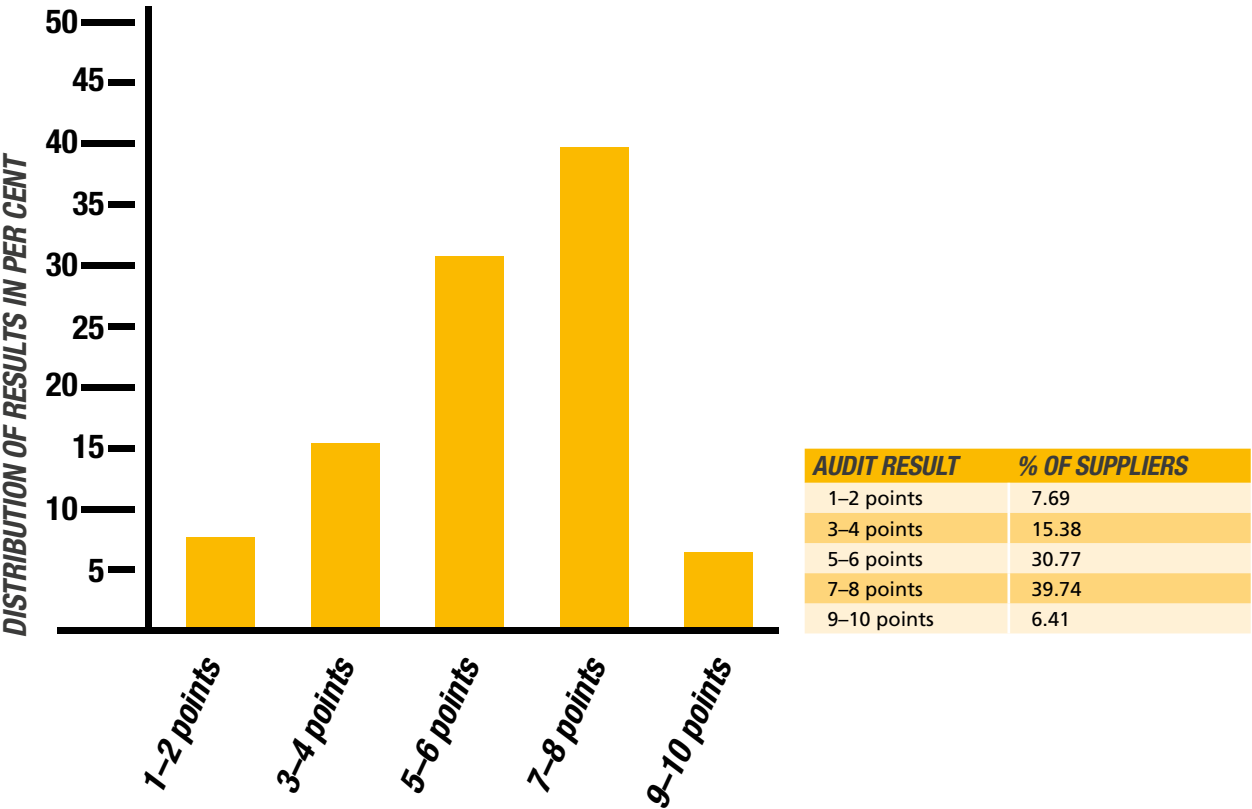


Figure: Distribution of audit results for active suppliers in 2012

5.5 SUMMARIES OF AUDIT RESULTS BY COUNTRY

THE AUDIT RESULTS FOR ALL MANUFACTURERS HAVE BEEN SUMMARISED PER COUNTRY AND THE AVERAGE RESULTS CALCULATED FOR EACH ONE.

5.5.1 VIETNAM

JACK WOLFSKIN worked with 18 textile processing facilities in Vietnam in 2012. This number includes both direct suppliers as well as their authorised sub-manufacturers. Most of these facilities showed exceptionally good compliance with the Code of Conduct. Unfortunately, however, there were several facilities that experienced problems implementing the Code of Conduct. Often, the cause of the weak point lies in poor organisation and frequent changes of management. As clients of the manufacturers, however, brand name companies have no influence on such factors. The only way of countering the effects is via the ongoing training of suppliers. JACK WOLFSKIN attempts to do this

via continuous supplier management with its very own sustainability staff and also to accompany the facility through the auditing process. Of 162 items to be assessed (18 suppliers x 9 categories), the auditors appraised the worst rating of "one" to three facilities in the categories of working hours, pay and health and safety/safe working conditions. JACK WOLFSKIN discussed the problems in detail with all manufacturers and promoted the implementation of effective corrective action. The implementation of these changes is tracked via various follow-up measures and via an independent follow-up audit.

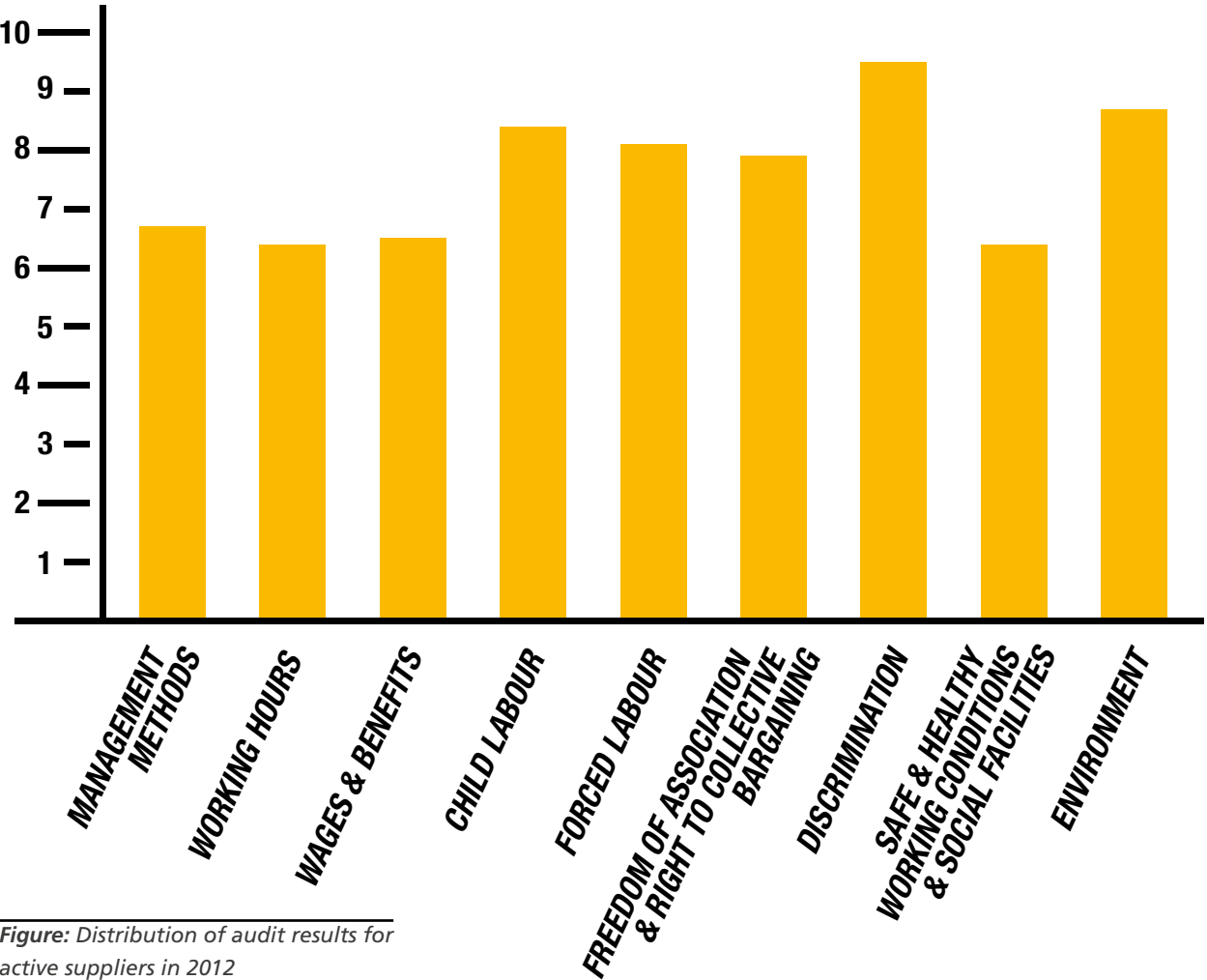


Figure: Distribution of audit results for active suppliers in 2012

5.5.2 CHINA

JACK WOLFSKIN worked with 26 manufacturing facilities in China in 2012. Of these, 22 are direct contract partners and four are subcontracted companies to other manufacturers.

The partnership with four manufacturers had to be terminated as a result of various social and quality-related reasons.

Our audits showed that health and safety topics continue to be a lasting problem for many manufacturers.

In order to counter this, JACK WOLFSKIN offered a "Chemical Health and Safety" training session for footwear manufacturers in China in July 2012.

There was serious need for improvement in the areas of management methods, working hours/pay and the right to collective representation. As a result, JACK WOLFSKIN will attempt to encourage as many suppliers as possible to take part in "Workplace Education Training" offered by the Fair Wear Foundation in 2013. This training programme, which covers all levels of the factory hierarchy

and trains staff in all elements pertaining to the Code of Conduct. Particular emphasis is given to information about the rights and duties of staff, the grievance system and detailed information on establishing and running trade unions.

All those involved will be trained to adopt a constructive approach to one another in order to avoid the escalation of conflicts and to find a suitable solution for all parties as required.

In general, the trend in China over the past years has shown textile factories moving from the coastal regions towards the interior of the country. One major reason for this is that migrant workers want to give up this kind of work to be able to spend more time with their families. Another reason for factory owners to move towards the interior of the country is a more stable workforce, which tends to stay constant even after the Chinese New Year celebrations.

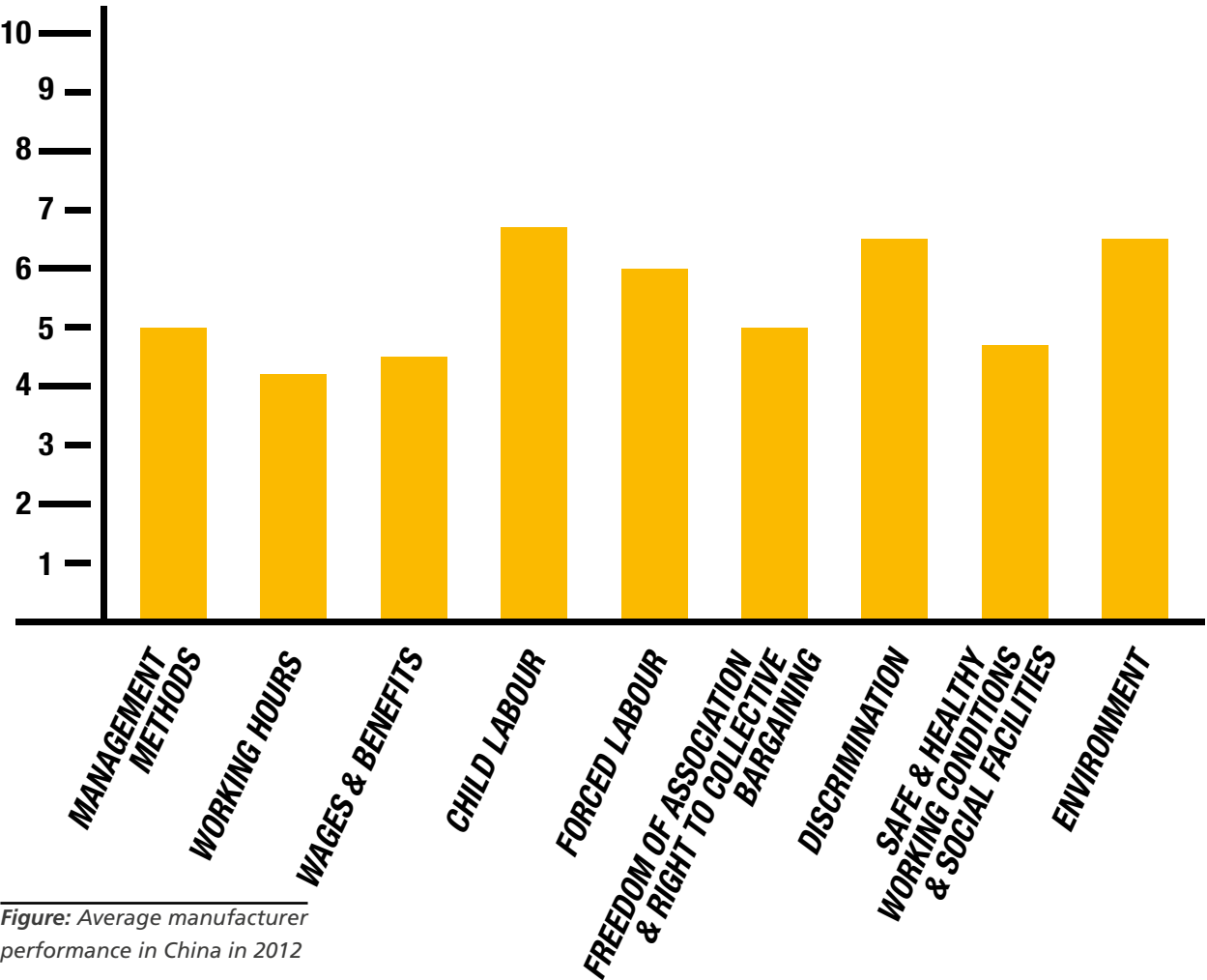


Figure: Average manufacturer performance in China in 2012

5.5.3 THAILAND

In Thailand, JACK WOLFSKIN works with two direct contract partners and three subcontractors.

In our audits in Thailand, we found a high number of migrant workers from Burma in some factories. As long as migrant workers are granted the same rights as Thai workers, they all have a valid work permit and are not restricted in their freedom of movement (e.g. their passport has not been withheld), we do not generally have a problem with the employment of migrant workers.

However, the employment of migrant workers is more complex for factory management because higher administration costs are incurred via applying for work permits. The graphic shows that working hours and pay were given relatively low scores. This is because two of the five factories had a lack of transparency in their clocking-on/clocking-off system and therefore could not document

the hours that staff had worked with sufficient accuracy. In such cases, we asked the auditors to deduct points as standard because there was no proof that the correct procedure had been followed. The fact that these points were deducted does not necessarily mean that the factory did not comply with the Code of Conduct. It is more likely to be a result of bad management practices, which also led to lower scores at those factories.

Well-organised factories generally have clear systems that can be traced continuously even over long periods of time and by means of which overall working hours, overtime hours and pay can be recorded and managed easily.

The other three factories all had good scores.

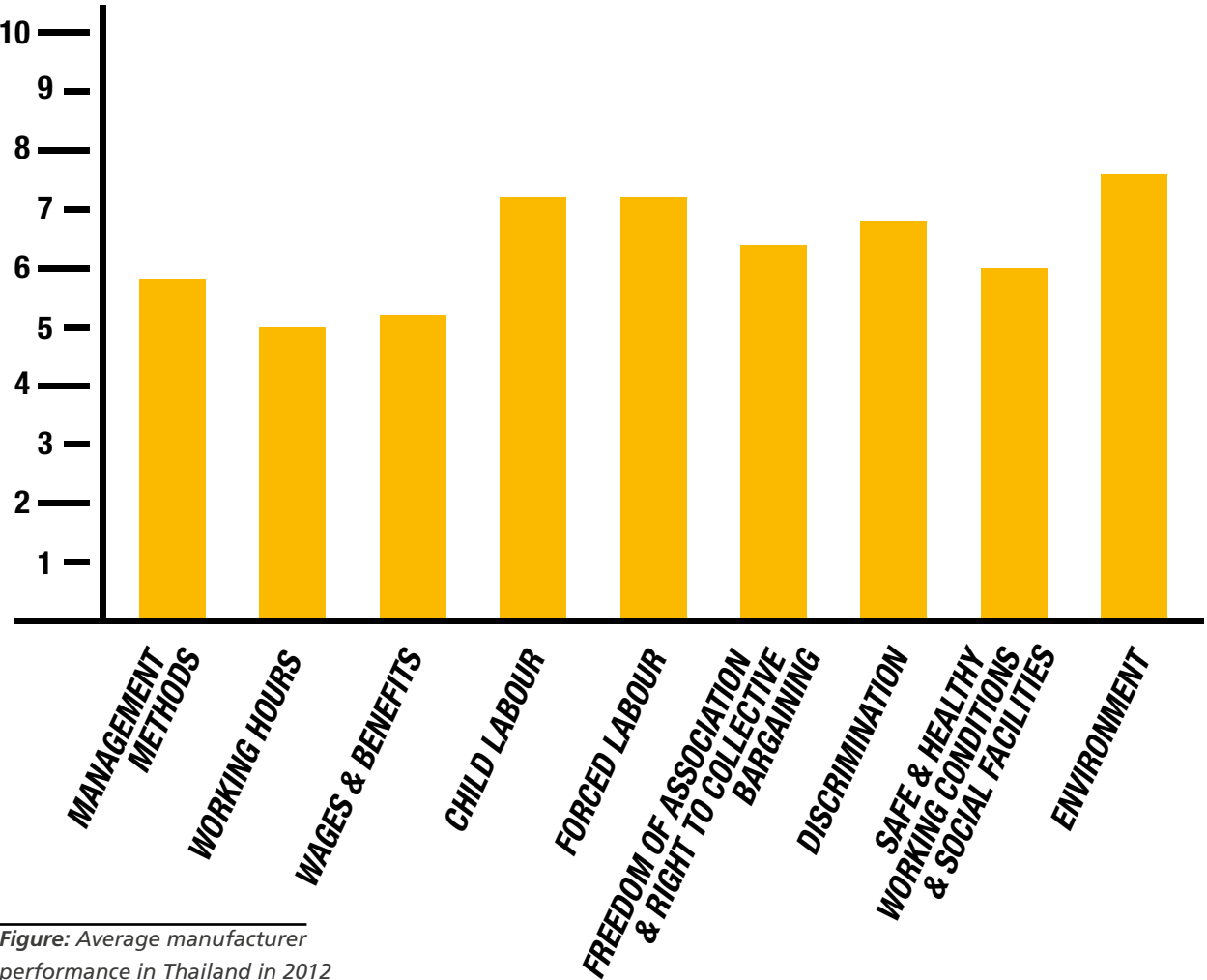


Figure: Average manufacturer performance in Thailand in 2012

5.5.4 BANGLADESH

No complete audits were carried out for our two suppliers in Bangladesh in 2012. Owing to good results in the past, the next audit is planned for 2013. However, the corrective action plan was followed up via email and a follow-up visit.

General notes: In early 2013, Bangladesh experienced several disturbances as a result of dramatic incidents concerning the neglect of social standards. Firstly, hundreds of people in the capital Dhaka died in a major fire due to a lack of and sometimes locked emergency exits. Shortly after this, a textile factory (also in Dhaka) collapsed, killing more than 1,000 people.

Both cases could have been prevented, saving more than 1,000 lives, if both the factory owners and the textile companies had acted in accordance with the Code of Conduct.

Unfortunately, the current situation in Bangladesh facilitates tragedies such as these because there are tax breaks for incomplete factory buildings and poor building materials are often used. Other problems include general poverty and the correspondingly high level of corruption, as well as the dangerous practice of installing electricity cables above Bangladesh's streets, significantly increasing the risk of fire across the country.

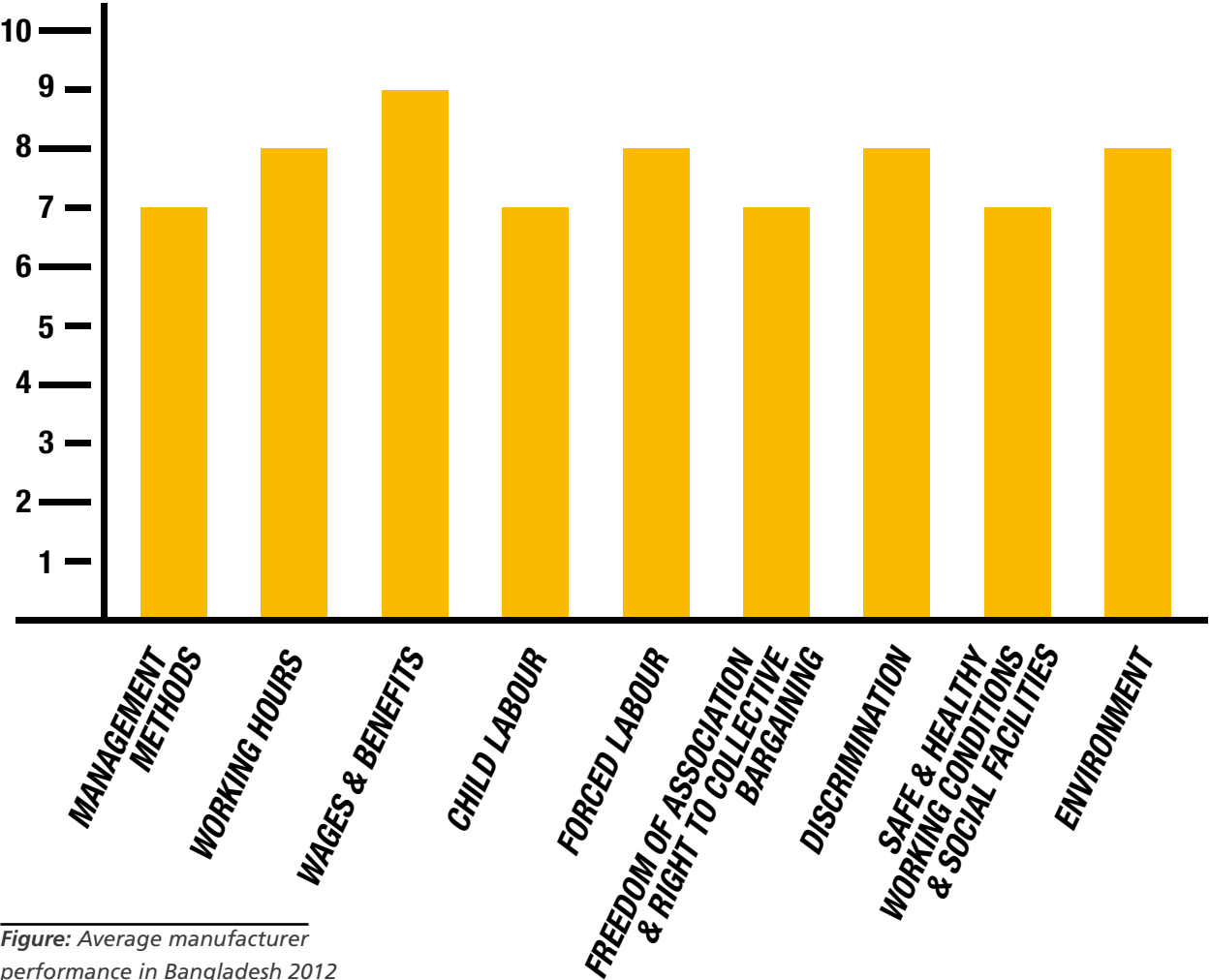


Figure: Average manufacturer performance in Bangladesh 2012

5.5.5 INDIA

In the middle of the year, a partnership with one Indian supplier was ended. Even after three years of audits and close partnership, no satisfactory improvements had been achieved. The areas of health and safety, management methods and pay were consistently given inadequate scores. In addition, there were also problems with quality. We made the decision to end the partnership based on these results.

In place of this supplier, a new manufacturer with three production facilities in India was added to our portfolio instead.

The remaining four locations have shown good results. Only the management methods remained weak, which also unfortunately had an effect on working hours and pay.

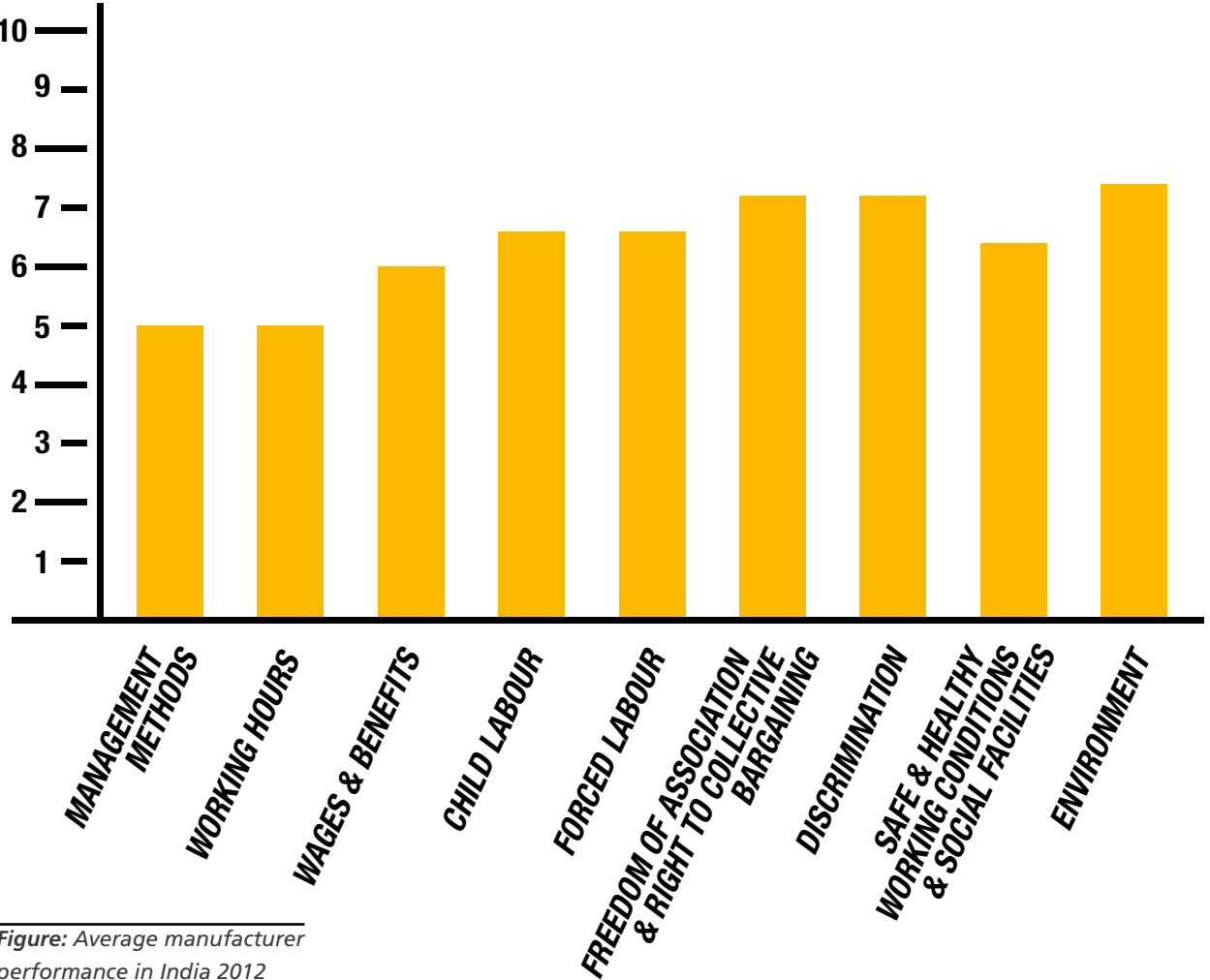


Figure: Average manufacturer performance in India 2012

5.5.6 CAMBODIA

In 2012, JACK WOLFSKIN worked with two suppliers in Cambodia. One of them is involved in the "Better Work Cambodia" project and is therefore one of the manufacturers that takes compliance with the Code of Conduct very seriously and independently undertakes to continue improving the situation for employees. As shown in the graphic, the overall performance of manufacturers in Cambodia is very satisfactory.

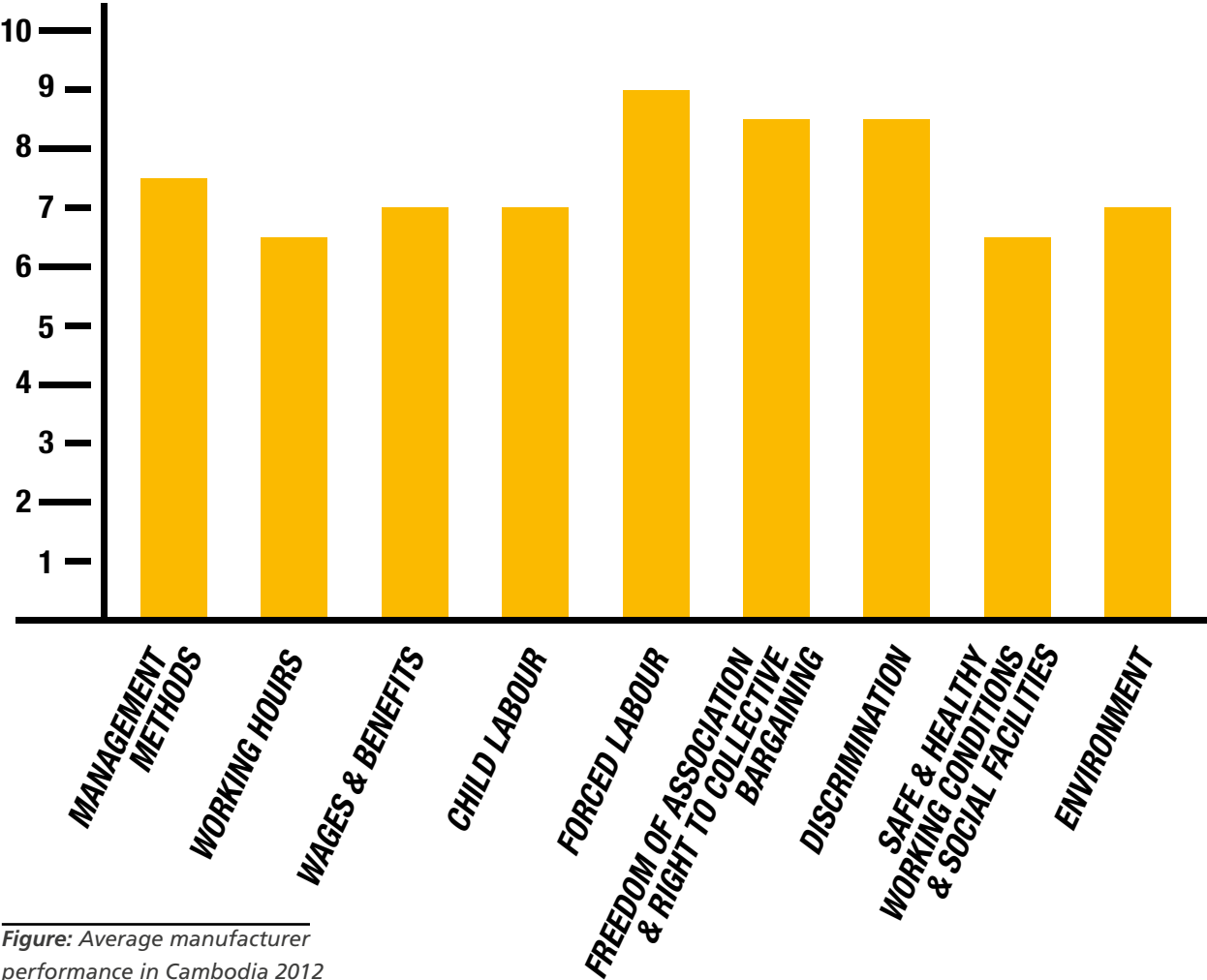


Figure: Average manufacturer performance in Cambodia 2012

5.5.7 INDONESIA

JACK WOLFSKIN has been auditing factories in Indonesia since 2009. Since then, positive developments have been ascertained in the factories' overall performance. As such, one of our long-term partners improved its results with regard to working hours every year. Over the years, we have identified frequent weak points in the factories in Indonesia. In Indonesia, we see the biggest challenge and also the biggest scope for potential in the expansion of the right to collective representation. As a result, JACK WOLFSKIN has already recommended to the FWF to expand its "Workplace Education Programme" to include Indonesia.

Both limitation on the right to collective representation and the high frequency of temporary contracts make it hard for employees to be able to engage in a dialogue on an equal footing with factory management. These problems were discussed at length with factory managers both during the audits and afterwards. The statutory minimum wage has increased drastically in Indonesia since 2012, even by 40% in Jakarta. As a result of this sudden rise, some factories were given a longer implementation deadline by the government, whereby the factories in question are permitted to increase salaries gradually. Further developments and the implementation of these changes will also be checked in independent audits in 2013.

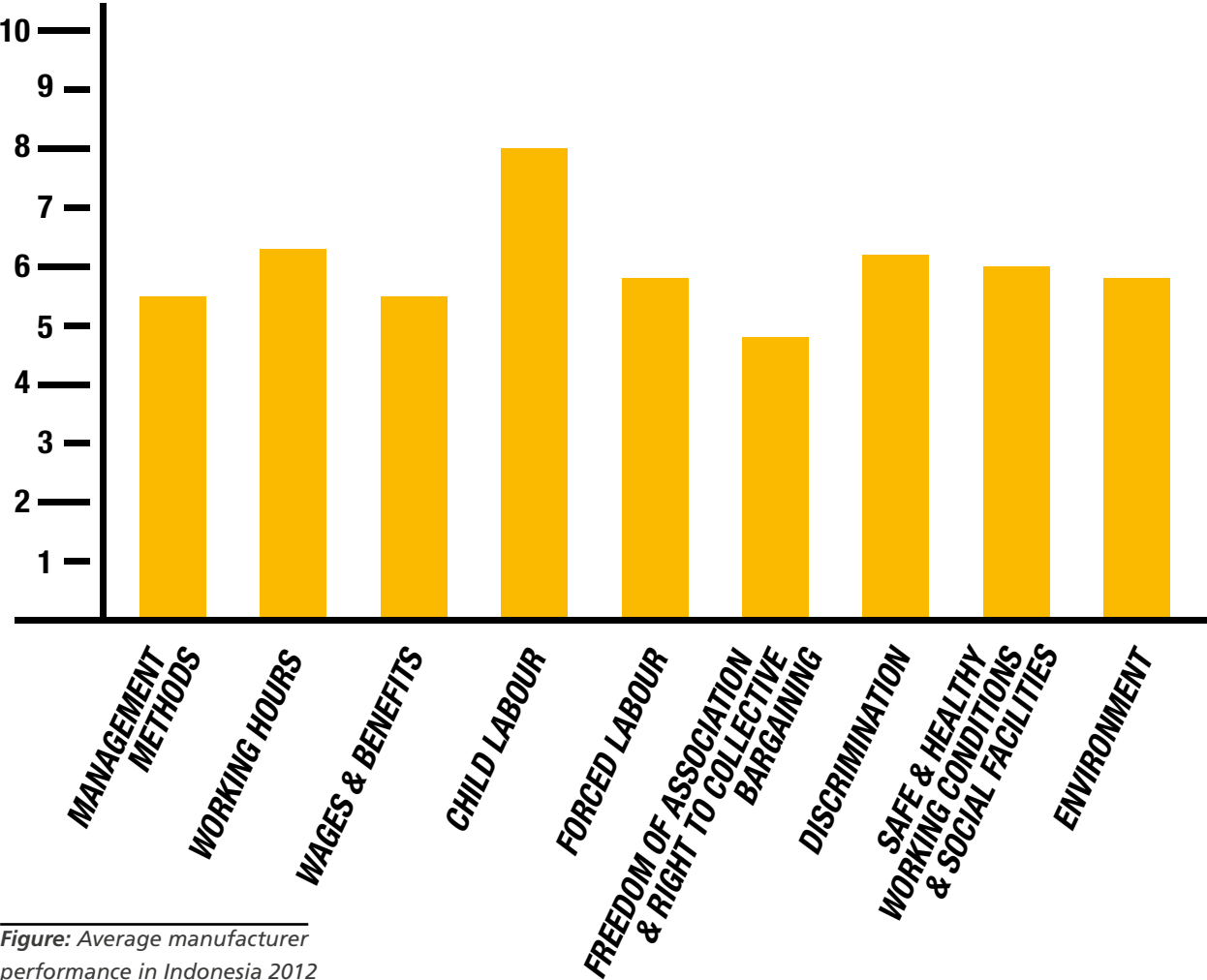


Figure: Average manufacturer performance in Indonesia 2012

5.5.8 BULGARIA

The most frequent violations of the Code of Conduct at factories in Bulgaria were related to health and safety. Although processes and documents exist, there are deficits when it comes to monitoring whether or not guidelines have been implemented. As a result of understanding by the management and the fact that any problems were relatively easy to resolve, we predict that we will see further improvements before the next audit.

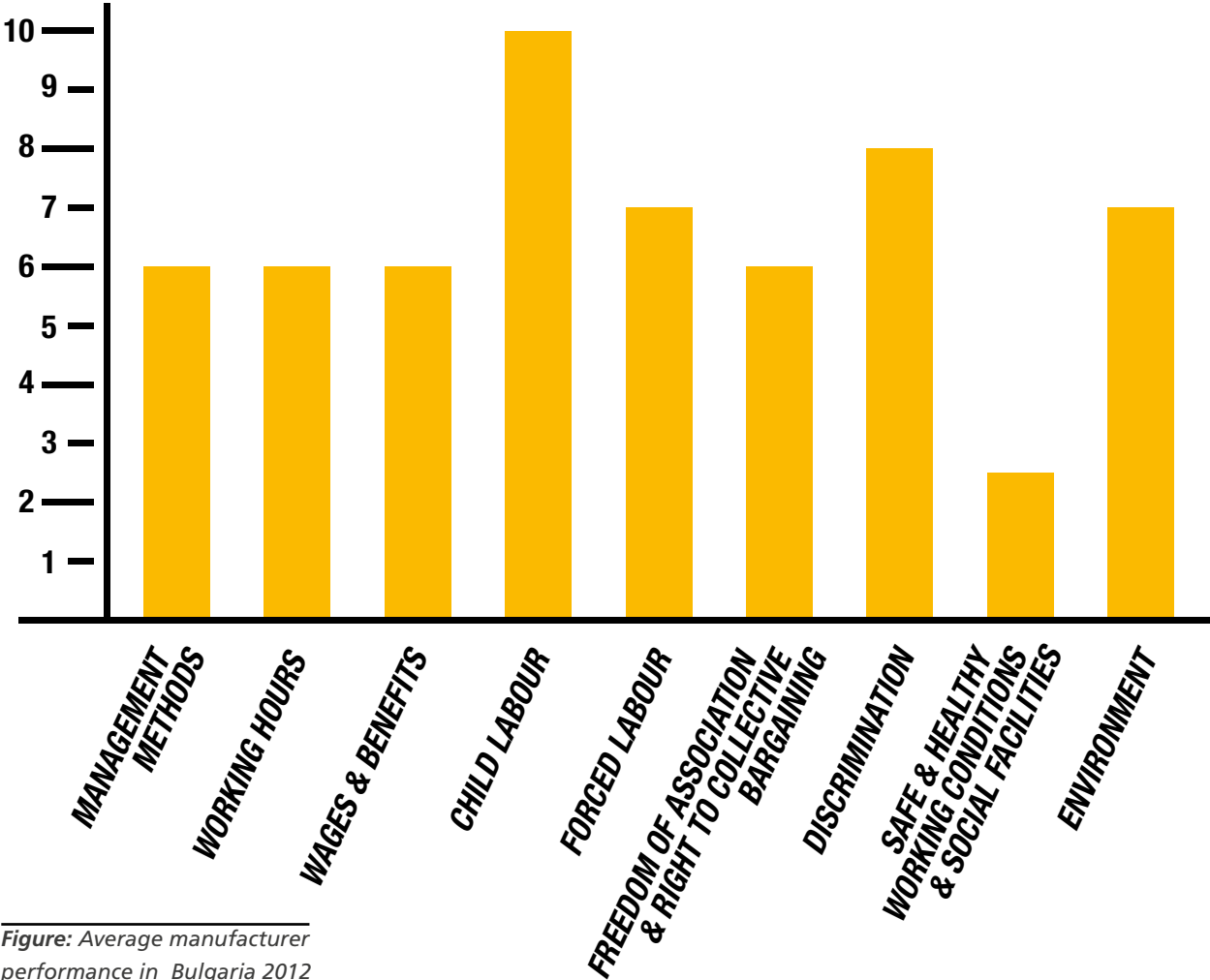


Figure: Average manufacturer performance in Bulgaria 2012

5.5.9 SLOVENIA

We have worked with manufacturers in Slovenia since 2004. All three production locations have already been audited twice by JACK WOLFSKIN, with the last audit taking place in June 2011. The results mainly fulfil the requirements as set out in the Code of Conduct. In one factory, however, the supplier could not provide sufficient proof that the way in which temporary contracts were handled complied with Slovenian law. This led to points being deducted in the management methods category. The overall sales turnover for JACK WOLFSKIN from suppliers in Slovenia is very low, which, in combination with the generally good results, means that the three businesses in Slovenia were not audited in 2012.

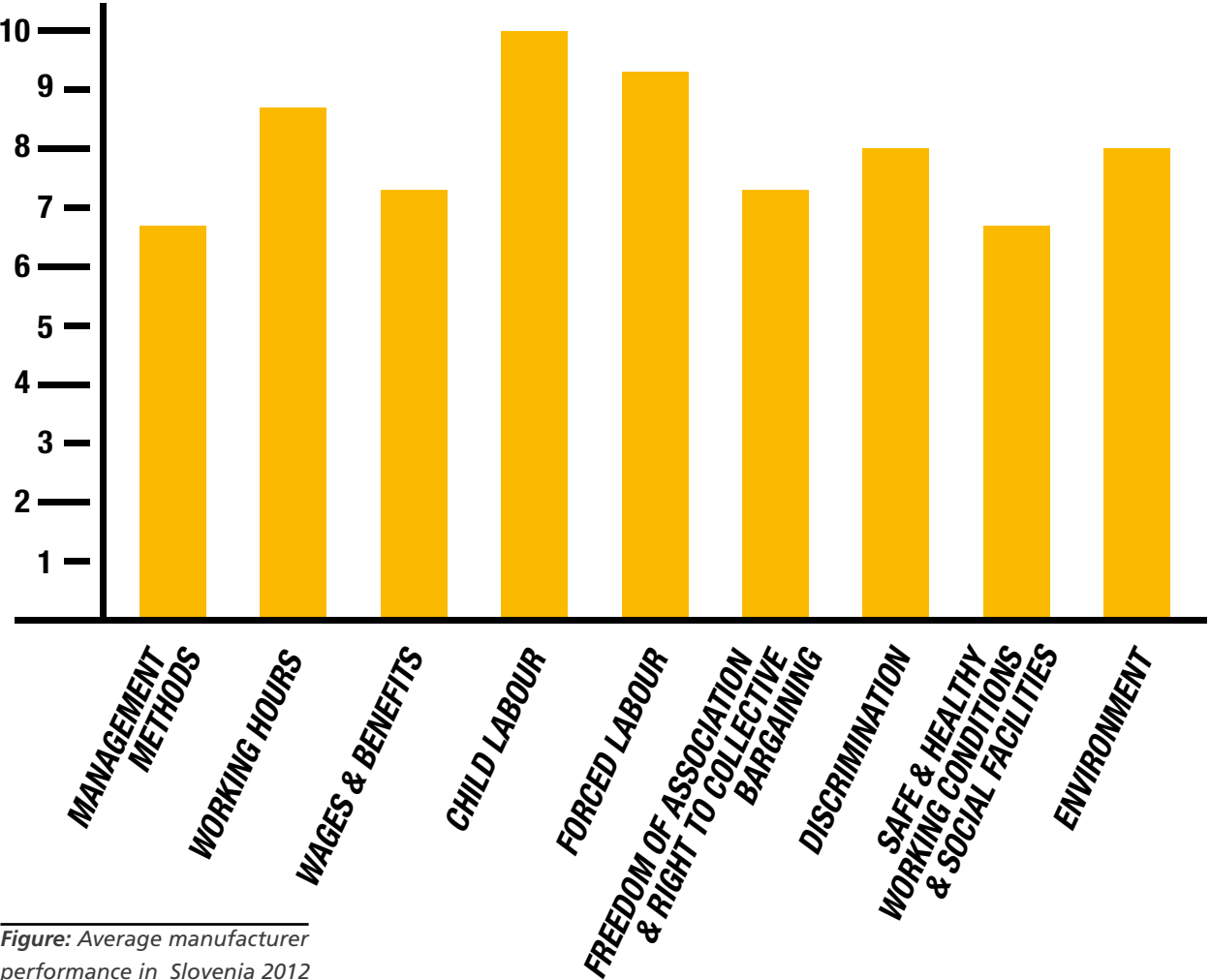


Figure: Average manufacturer performance in Slovenia 2012

5.5.10 ITALY

Owing to good results in 2011 and the low sales volume of under 0.3%, our suppliers in Italy were not audited in 2012.

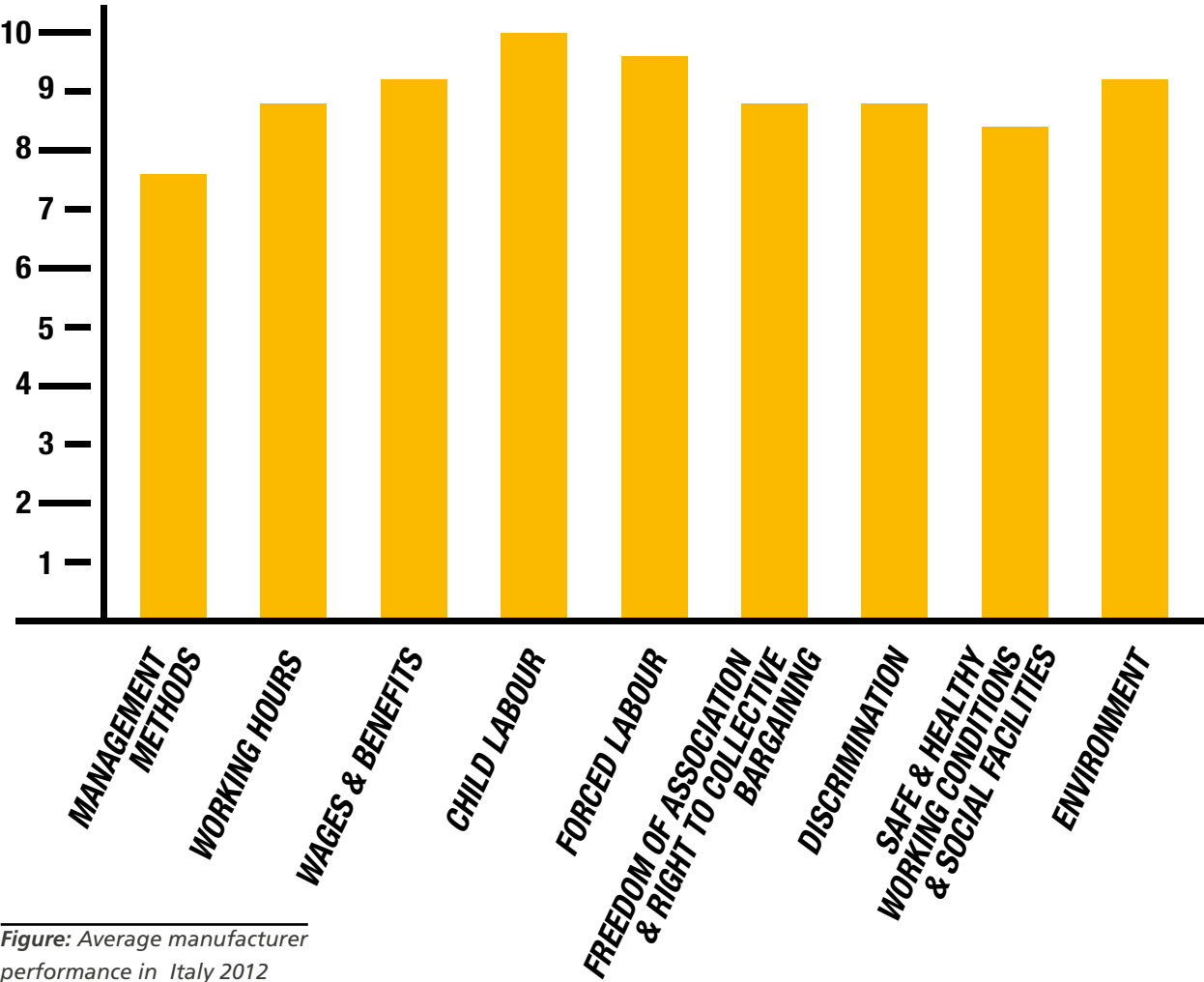


Figure: Average manufacturer performance in Italy 2012

5.5.11 TURKEY

The manufacturer was visited by Fair Wear Foundation verification auditors in August 2011. The auditors were able to confirm general compliance with the Code of Conduct on the part of the supplier. As a result, JACK WOLFSKIN decided not to audit the manufacturer in 2012. The supplier in Turkey is one with whom JACK WOLFSKIN has had a 12-year partnership.

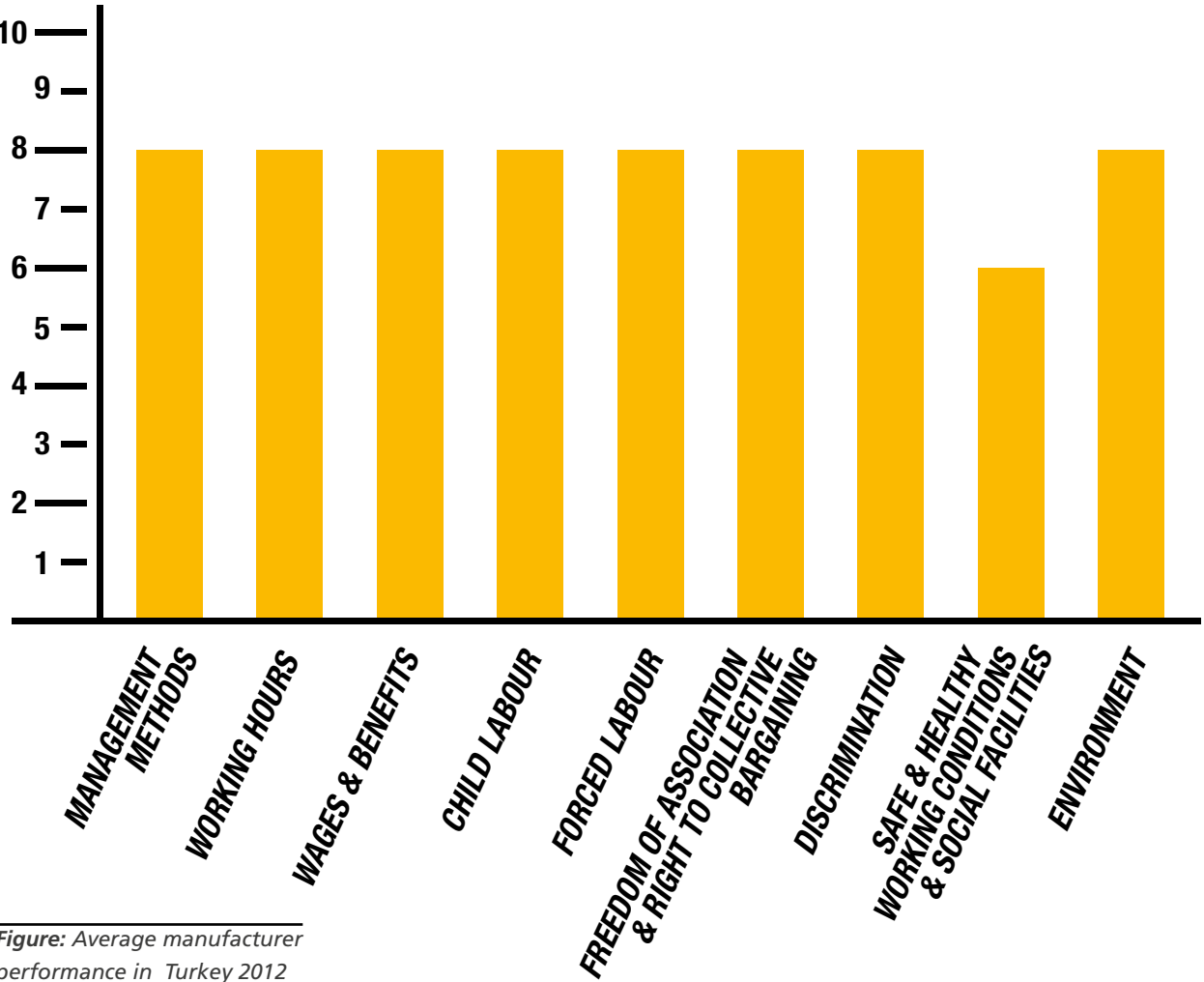


Figure: Average manufacturer performance in Turkey 2012

5.5.12 ROMANIA

JACK WOLFSKIN has been working with a small manufacturer of footwear in Romania since 2009. The sales volume for JACK WOLFSKIN from this manufacturer was just 0.14% in 2012.

No audit was carried out in 2012 because the results of the 2011 audit proved general compliance with the Code of Conduct.

Deficits were discovered in terms of working hours, pay (although statutory changes were adopted), as well as health and safety.

The manufacturer announced that it would implement an effective management system according to ISO 9000 and SA 8000 in order to resolve the weak points identified and introduce measures to support compliance with the Code of Conduct.

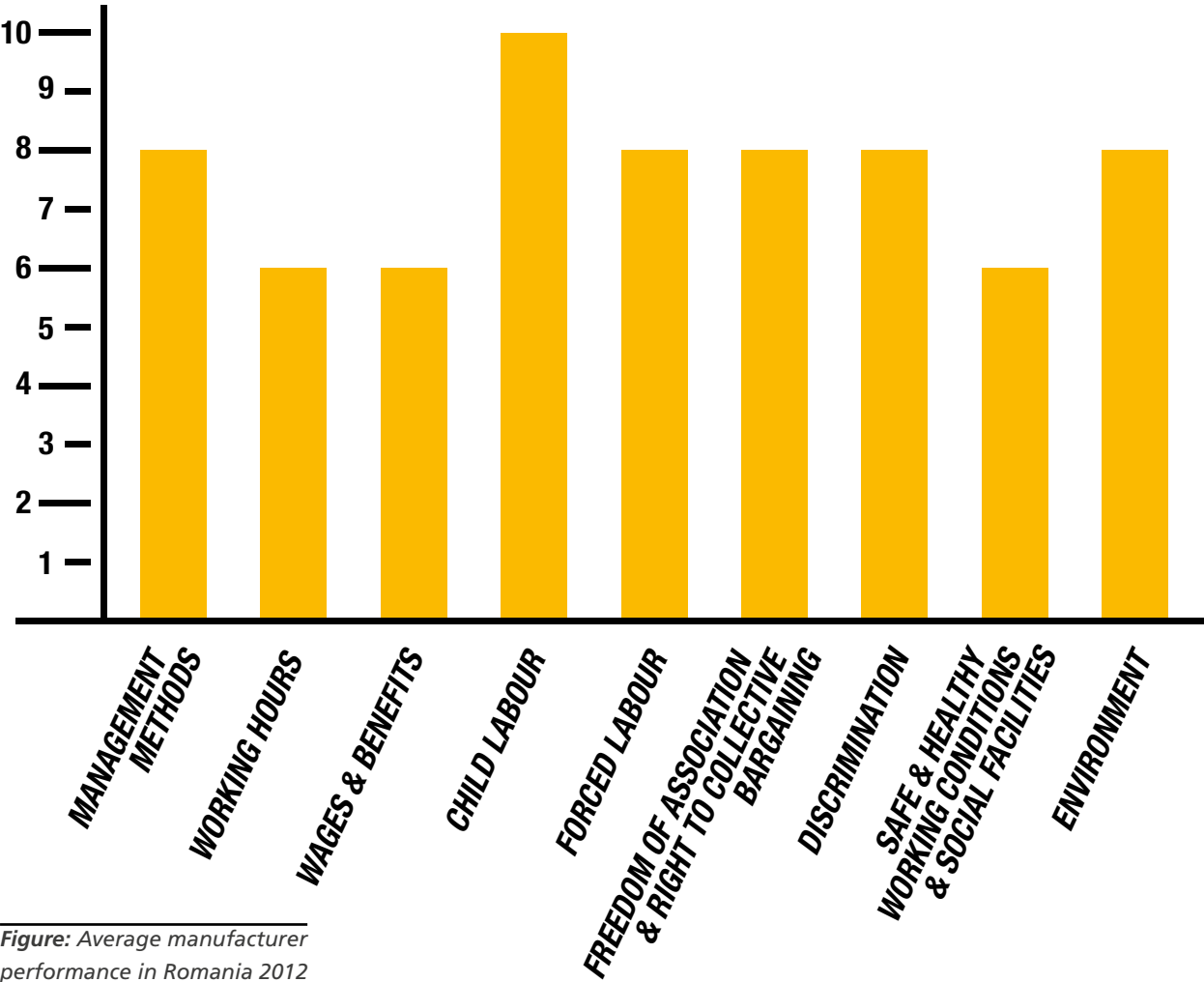


Figure: Average manufacturer performance in Romania 2012

5.6 DEALING WITH GRIEVANCES FROM FACTORY EMPLOYEES

JACK WOLFSKIN REACTS IMMEDIATELY TO ALL GRIEVANCES RECEIVED VIA OUR OWN “COM-BOX” SYSTEM (WWW.COM-BOX.NET), VIA THE FAIR WEAR FOUNDATION COMPLAINTS SYSTEM OR SUBMITTED IN ANY OTHER WAY, INCLUDING VIA DIRECT CONTACT WITH THE AUDITORS BY THE EMPLOYEE OR VIA THE PHONE HOTLINE. OUR AIM IS TO NEGOTIATE BETWEEN PARTIES AND TO ACHIEVE LONG-TERM IMPROVEMENTS FOR EMPLOYEES AND IDEALLY ALSO FOR THE SUPPLIERS.

In 2012, JACK WOLFSKIN was able to prove that all the grievance mechanisms in place are effective:

Com-Box: The efficacy of the Com-Box was tested by way of undercover and simulated grievances during the Brand Performance Check by the Fair Wear Foundation in May 2012.

As such, JACK WOLFSKIN received two anonymous complaints (simulated by the FWF) from different countries on different topics.

In line with the established procedure, queries were raised with the aid of the audit team to find out more detailed information about the complaints and to determine whether or not they were based in fact.

At the same time, the FWF was also informed of the complaints for transparency reasons.

Before further steps were taken, we were informed by the FWF that the complaints were simulated by FWF employees in order to test the reaction time and procedure adopted by JACK WOLFSKIN.

The efficacy and function of the Com-Box were fully confirmed by the FWF.

FWF complaints system: Since JACK WOLFSKIN became a member of FWF in 2010, factory employees have had the opportunity of contacting local complaints managers via the complaints management system introduced by JACK WOLFSKIN.

The complaints manager then tries to find out as many details as possible by contacting the employee directly. If the grounds for the complaint are confirmed, Fair Wear Foundation directly contacts the member company with the relationship to the supplier from which the complaint originated. In partnership with the management of the factory in question, attempts are made to find a solution. The employee submitting the complaint may ask to remain anonymous if the complaint allows it. JACK WOLFSKIN received one complaint via this channel in 2011, to which it responded in partnership with the Fair Wear Foundation. For more details about this complaint, please read on to the next chapter.

Direct contact: Auditors are often slipped a note by an employee that gives information about problems in the factory. Generally, these notes have the phone number of the employee on them with the request to call them after their shift. Sometimes, a little extra information is given.

Another way for employees to express the problems they face is in conversations held with the auditors outside the factory premises a few days before or after the actual audit itself.

Face-to-face contact is much easier for many employees than calling an unknown number or – if they even have the option – sending an email to a central complaints office. A trusting relationship between auditors and the employee is facilitated by short interviews in the workplace or at lunchtime get-togethers. As a result, it is easy to understand that this way of contacting employees is the most effective at breaking down inhibitions and is, in our experience, the most frequently used.

Usually, this kind of complaint can be discussed in detail with the management quickly and sometimes even during the audit itself, ideally leading to a direct solution.

The complaints from Indonesia detailed below were initially received by JACK WOLFSKIN via this channel and then also processed via the FWF complaints management system.

5.6.1 ONGOING AND RESOLVED COMPLAINTS FROM 2012

ON 1 APRIL 2011, A COMPLAINT WAS SUBMITTED TO THE FAIR WEAR FOUNDATION BY WORKERS FROM AN INDONESIAN FACTORY THAT PRODUCES ITEMS FOR JACK WOLFSKIN, AMONG OTHER COMPANIES.

At this time, JACK WOLFSKIN had been aware of the problem for almost a year and had initiated dialogue with the factory management of the subcontracting company as well as with the direct contractual partner for JACK WOLFSKIN.

TIMELINE:

28–29 August 2009 – JACK WOLFSKIN has an independent audit conducted at its subcontracting company PT Busana Prima Global (BPG). It turns out that the factory does not work in line with many of the standards as set out in the Code of Conduct. One of the most important points is that workers are not authorised to leave the factory after the end of their regular shift without being permitted to do so by their direct superiors (forced labour). In addition, the auditors doubt whether overtime hours accumulated by employees in order to reach the factory's daily target have been properly remunerated, or remunerated at all (fair compensation).

JACK WOLFSKIN states that these and other items warrant a follow-up visit after six months in order to check whether the prescribed corrective action has been properly implemented.

29 April 2010 – Date of the follow-up visit to assess the corrective action and evaluate it.

The auditors discover that seven employees, all represented by the trade union Pimpinan Tingkat Perusahaan Serikat Buruh Garmen Tekstil dan Sepatu Gabungan Serikat Buruh Independen PT Busana Prima Global (hereinafter SBTGS), have been suspended by PT Busana Prima Global. The auditors find out that even the government's Labour Department is aware of the problem and that it has requested that BPG rehire the employees.

As a result of this official request, BPG offers to rehire the employees, but only to work in the printworks (worse conditions). The workers decline this offer.

The Workers' Rights Consortium (WRC) now also takes up

the case. WRC representatives meet BPG representatives on the morning of 29 April 2010 – i.e. the day after the follow-up visit. The aim of the meeting is to find a solution for the workers within one week.

No agreement can be made, nor a solution found and the case is now to be brought before a court.

30 April 2010 – Right after hearing about the court case, JACK WOLFSKIN immediately contacts the upper management of its contractual partner and the subcontracting party BPG. JACK WOLFSKIN clearly states in an email that the suspension of the seven employees will not be tolerated and JACK WOLFSKIN demands that BPG rehire all seven for their original positions without delay.

4 May 2010 – JACK WOLFSKIN receives a statement from BPG outlining the manufacturer's view of events. Among other things, BPG says that it had given the workers prior written warning for having left their posts and the factory without prior permission. Rehiring the employees is expressly rejected by BPG because it claims that those workers who had been fired would spread discontent among the other factory workers.

JACK WOLFSKIN then decides to continue observing the case but to wait and see what can be achieved via the Labour Department and WRC's attempts at conciliation.

28 October 2010 – JACK WOLFSKIN asks BPG what has been done about the workers and whether they have been re-employed in their previous positions. BPG's immediate

response is that the case has been taken up by the court and that the final decision about the workers will be made by the court.

9 November 2010 – The court rules that BPG acted correctly and that it fired the workers after the relevant written warnings. This information was provided to JACK WOLFSKIN on request on 28 February 2011.

24 March 2011 – JACK WOLFSKIN brings the Fair Wear Foundation in on the case because JACK WOLFSKIN has not been able to achieve a satisfactory outcome alone. All information and reports on the case were provided transparently to the Fair Wear Foundation.

1 April 2011 – The Fair Wear Foundation also receives an official complaint from the employees fired by BPG.

5 May 2011 – The top management at JACK WOLFSKIN writes to both the contractual partners as well as to its subcontracted companies to express concern about the fact that the right to collective representation is not assured at BPG as described in the Code of Conduct. JACK WOLFSKIN also offers to provide an independent mediator between both parties to find a reasonable solution. At the same time, JACK WOLFSKIN states, for the first time that it will break off business relations if an agreement cannot not be made and the requirements of the Code of Conduct are not met by the factory.

From May 2011 – JACK WOLFSKIN enters into a permanent dialogue with the ex-employees and the Fair Wear Foundation.

At the same time, JACK WOLFSKIN attempts to contact other BPG clients to work together with other brands to persuade BPG of the importance of maintaining employment standards as set out in the Code of Conduct.

16 November 2011 – The auditors commissioned by JACK WOLFSKIN meet up with the ex-employees before the audit in order to get an overview of the situation before visiting the manufacturer.

In this conversation, the ex-employees inform the auditors that as a result of the loss of income and the ensuing difficulties in terms of paying for phone and Internet, they are having difficulty maintaining contact with the auditors, JACK WOLFSKIN, the FWF or other organisations.

17–18 November 2011 – Another audit of BPG is conducted on behalf of JACK WOLFSKIN. Unfortunately, the auditors ascertain that the fundamental problems have not been resolved and only minor improvements have been implemented.

The Indonesian-speaking auditors, JACK WOLFSKIN, the Fair Wear Foundation and the Clean Clothes Campaign continue to maintain close contact with the ex-employees.

6 February 2012 – JACK WOLFSKIN once again writes to the contractual partner and its subcontracting company BPG to express the severity of the case and to state



that the partnership will be terminated if the manufacturer continues to neglect to implement basic requirements. JACK WOLFSKIN agreed upon this step in advance with the Fair Wear Foundation and the Clean Clothes Campaign. The letter once again details the major requirements that have to be implemented without delay:

- The practice of unpaid overtime has to be terminated immediately.
- Workers must no longer be forced to do overtime.
- Workers must receive permanent contracts in order to enable them to become affiliated with a trade union (of their choice).
- A fair wage must be paid, whilst enabling the manufacturer to gradually increase salaries. To establish what is a fair wage, the manufacturer is requested to conduct a serious calculation and to discuss it in advance with JACK WOLFSKIN.
- All the other remaining items in the corrective action plan must then be implemented gradually.

27 June 2012 – JACK WOLFSKIN makes an unannounced visit to BPG with an auditor in order to get an idea of the measures implemented so far.

After even a short while it is clear that no fundamental improvements have been made. As a consequence, JACK WOLFSKIN terminated the partnership there and then.

June 2012 – JACK WOLFSKIN's idea of setting up a fund for employees to help them by providing a computer so they can contact the FWF or other parties was implemented by the Fair Wear Foundation. The seven ex-employees of BPG are the first to benefit from a computer donated via this fund.

July 2012 – The direct contractual partner is expressly instructed not to assign JACK WOLFSKIN contracts to the subcontracting company BPG.

August 2012 – JACK WOLFSKIN researches training options for the ex-employees in order to help them achieve a

secure income in the future. Extra attention is given to ensuring that the training measures not only take place near to the factory but are also of high quality. After an intensive search with local help in Indonesia, a school is found that is able to offer a tailored training programme for the seven ex-employees.

19 September 2012 – JACK WOLFSKIN makes the seven workers an offer to give them improved prospects for their future careers. This includes compensation that is based on the amount of items JACK WOLFSKIN used to have manufactured by BPG.

In addition, JACK WOLFSKIN volunteers to finance a three-month training programme for the seven ex-employees to qualify them as supervisors and thus give them the opportunity to make a living for themselves in the future.

21 November 2012 – JACK WOLFSKIN commissions the auditing company Sumations to meet the seven ex-employees, explain the offer and to ask about the employees' expectations in order to be able to make the necessary adjustments.

November 2012 to May 2013 – To find a mutually acceptable solution for the employees, JACK WOLFSKIN, the Clean Clothes Campaign and the Fair Wear Foundation, various offers are negotiated and an agreement is finally made on 13/06/2013.

22 July 2013 – The agreed compensation payments are made in person to each of the seven ex-employees by a representative from Sumations who already knows the workers as a result of the lengthy negotiation process and speaks the local language.

THE FWF COMPLAINT REPORT IS ONLINE AND CAN BE VIEWED ON THE MULTI-STAKEHOLDER INITIATIVE'S WEBSITE (WWW.FAIRWEAR.ORG).

6 TRAINING AND SUPPORT MEASURES

In July 2012, JACK WOLFSKIN held a multi-day, free training session for all footwear manufacturers in China on the topic of "Health and Safety in the Use of Chemicals for Footwear Production". To keep the groups as small as possible and enable practical group work, the training was offered on two different dates.

Almost all manufacturers took advantage of the opportunity and took part in the training sessions. The training session comprised theoretical and practical sections. In the two intensive theory days, all aspects concerning the safe use of chemicals and the use of as few chemicals as possible, as well as ensuring only "safe" ones are used. Common errors in use and their early detection, as well as long-term implementation of improvement measures, were discussed and debated in group work.

The practical element consisted of a detailed list of tasks for participants to implement in their factories. The manufacturers were requested to send JACK WOLFSKIN regular interim progress reports. These enabled JACK WOLFSKIN to ensure the active implementation of the system. The action plan was given a fixed timeline for implementation.

Six months after the training session, all the manufacturers were visited at their factories in order to assess the implementation and to provide assistance where necessary.



7 CHALLENGES IN 2012 AND OUTLOOK FOR 2013

IN 2012, JACK WOLFSKIN WAS CONFRONTED WITH SEVERAL NEW CHALLENGES. MANY OF THE CHALLENGES FACED BY THE COMPANY ONLY HAVE AN INDIRECT LINK TO ITEMS IN THE CODE OF CONDUCT. HOWEVER, WE WANT TO PROVIDE AN IMPRESSION IN THE FOLLOWING OVERVIEWS OF WHICH ASPECTS HAVE TO BE TAKEN INTO ACCOUNT IN THE IMPLEMENTATION OF SOCIAL STANDARDS, AND WHICH CHALLENGES JACK WOLFSKIN SEES ITSELF AS FACED WITH:

7.1 CHALLENGES IN 2012

- The focus on environmental topics increased significantly in 2012. The challenges for brands primarily consist of not neglecting social aspects while maintaining focus on environmental topics and continuing everyday strategic and operative business. Both topics are closely interwoven. However, both the social and environmental aspects pose a challenge in terms of weighting both issues equally in order to work together with the manufacturers towards achieving structural improvements in their businesses.
- Brand-name companies present their partners, the manufacturers, with numerous challenges, extending from adherence to quality, environmental and social standards to precisely defined packaging specifications and other purchasing criteria. The implementation of all requirements poses an enormous challenge to smaller

manufacturers in particular. As a result, some producers would prefer to work with local companies, which have fewer requirements to be implemented.

JACK WOLFSKIN finds this trend very unfortunate because the workers in these factories often have to manufacture products under very difficult conditions and external bodies have not been able to improve conditions for the workers.

- In 2012, JACK WOLFSKIN received a large number of surveys from different companies on topics related to social responsibility. We see ourselves as a transparent company that is happy to answer questions from interested customers or organisations. As a result of the sheer amount of sometimes exceptionally detailed surveys, we were presented with a new challenge in terms of our staffing in 2012.

7.2 OUTLOOK FOR 2013

- Increased focus on achieving a fair wage in JACK WOLFSKIN production facilities
- Focus on training sessions for suppliers offered by the FWF as part of its Workplace Education Programme
- Focus on Bangladesh in terms of fire protection and building safety, where JACK WOLFSKIN will work closely with FWF on these issues
- Focus on safety with chemicals in production facilities through a more intensive partnership with bluesign®. For suppliers who do not yet work in line with the bluesign® system, alternative industrial solutions are being developed as part of the ZDHC (Zero Discharge of Hazardous Chemicals programme; <http://roadmaptozero.com>).



8 AIMS FOR 2013

- **CARRY OUT SOCIAL RESPONSIBILITY AUDITS IN BANGLADESH WITH A FOCUS ON FIRE SAFETY AND BUILDING SAFETY INDEPENDENTLY OF THE PROGRAMMES ESTABLISHED BY FWF; STRUCTURAL ENGINEERS WILL ALSO AUDIT THE FACTORIES.**
- **CREATION OF A FIRE PROTECTION TRAINING PLAN, IDEALLY IN COOPERATION WITH THE FWF AND CARRY OUT TRAINING FOR OUR BENGALI MANUFACTURERS.**
- **SA8000 ADVANCED TRAINING FOR AUDITORS IN RELATION TO FIRE SAFETY AND BUILDING SAFETY**
- **AT LEAST TWO SUPPLIERS SHOULD BE PERSUADED TO TAKE PART IN THE WORKPLACE EDUCATION PROGRAMME OFFERED BY THE FAIR WEAR FOUNDATION.**
- **DRIVE FORWARDS WITH AUDIT PARTNERSHIPS WITH OTHER MEMBERS OF THE FWF, OR OTHER BRANDS WITH THE SAME SUPPLIERS**
- **DISCLOSURE OF THE PRODUCTION FACILITIES**
- **MORE IN-DEPTH OVERALL EVALUATIONS OF SUPPLIERS**
- **CREATION OF AN INTERNAL ANALYSIS SYSTEM TO ENSURE A FAIR WAGE IN PRODUCTION FACILITIES**

