



Corporate Social Responsibility Annual Report 2010

Mammut Sports Group AG



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It all began nearly 150 years ago as a small family-run ropeworks. It has since become the Mammüt Sports Group, a leading international outdoor equipment brand. Our recipe for success? We do not try to be the most sustainable company, but the most innovative. Because in the long term, every company will be sustainable or it will no longer exist. Innovation on the other hand, is the life elixir of successful companies.

Rolf Schmid, Mammüt CEO

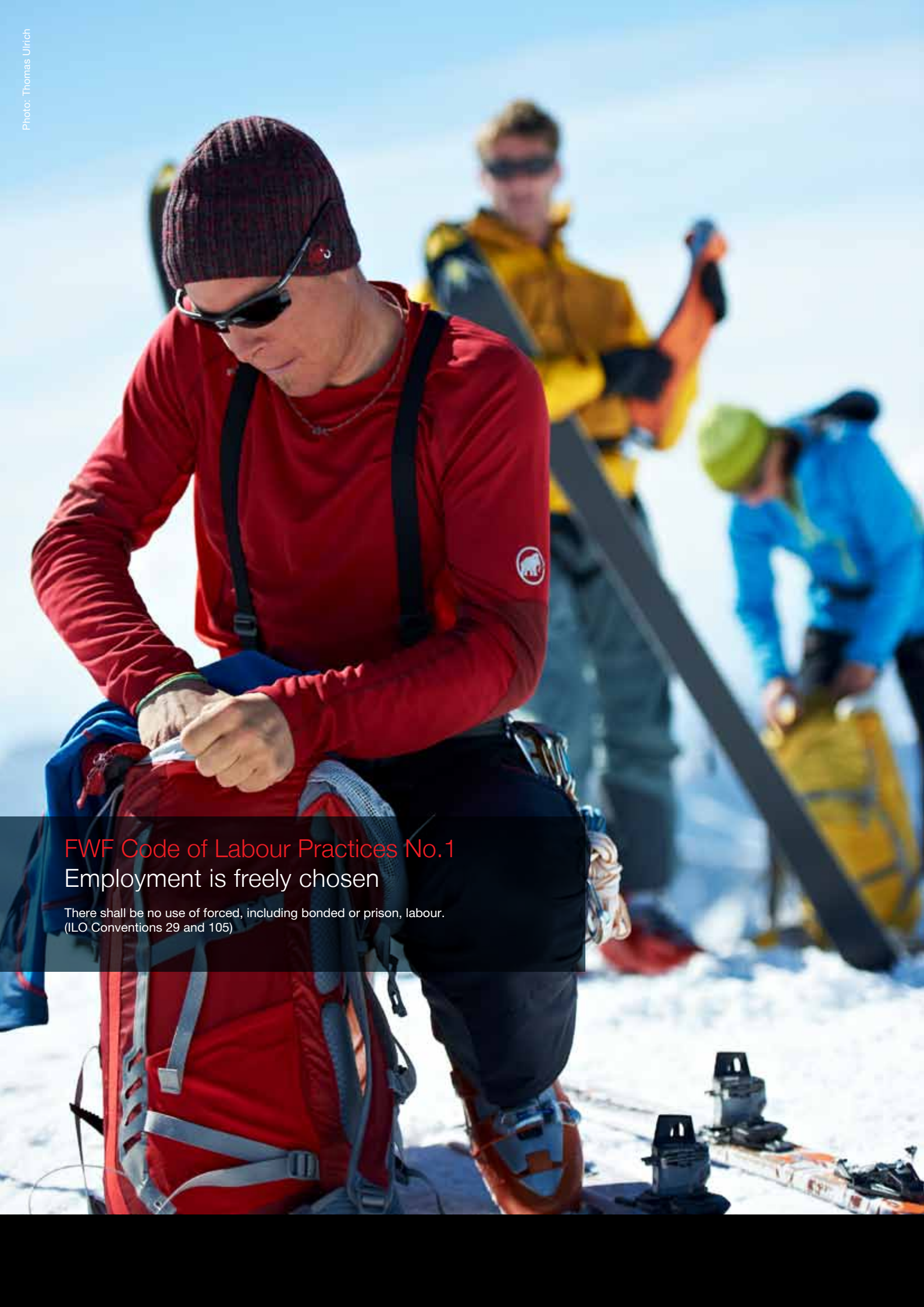
Executive Summary

Fair Wear Foundation has grown in significance within the European outdoor industry as four more companies became members in 2010. Its approach remains best practice as substantiated by the 2010 assessment by the non-governmental organisation, the Clean Clothes Campaign (CCC). Mammut is regarded as a pioneer in this area and received top marks in the CCC evaluation.

The spirit of change has also swept through China: 2010 was marked by social and economic upheaval which brought far-reaching consequences and long-term change with it - even for the outdoor industry. "Made in China" has long since stood for top quality and extensive knowhow here.

The journey continues. The path towards social and ecological responsibility is never-ending: Following a successful period of development and consolidation (2008-2010), in 2011 Mammut will focus on expanding the monitoring system to include other product groups. The issues of overtime and fair wages remain long-term challenges.





FWF Code of Labour Practices No.1
Employment is freely chosen

There shall be no use of forced, including bonded or prison, labour.
(ILO Conventions 29 and 105)

A Changing Industry

In 2010, three independent studies examined the outdoor sector with regard to its sustainability and social responsibility. The results were mixed since not all companies consider the issues important. One thing emerged loud and clear however: the outdoor sector is changing.

Outdoor as a Lifestyle

Outdoor activities are becoming increasingly popular. Functional equipment has long since made its way into everyday urban life and has already become "a trademark for an athletic and fashion-conscious lifestyle"¹. This development is also reflected in the industry's growth rates which were over 2% in 2009².

High Marks for Mammut

Mammut was regarded as a pioneer and fell into the top categories in both the CCC corporate evaluation and in Outdoor Magazine's Readers' Choice awards. Our commitment to the Fair Wear Foundation (FWF) is classified as reliable and is viewed as an example of best practice according to the CCC.

In fact three studies looked at the outdoor sector in 2010.

A Role Model for Others

Four other European outdoor companies have since joined the FWF. Mammut welcomes this development as corporate responsibility is a cross-sector task and together we can achieve more than single-handedly.

Last but not least, the outdoor sector is also attracting growing interest from the media and NGOs as a result of this boom. Similarly, three studies in 2010 looked at outdoor companies and put their social and ecological responsibility under the microscope.³ In particular, the Clean Clothes Campaign (CCC), an international campaign and lobbying organisation, made huge waves within the German-speaking region. The organisation surveyed 15 outdoor companies about their social corporate responsibility throughout the supply chain. It criticised the sometimes unsatisfactory commitment of some outdoor firms to fair working conditions and above all, living wages.

- 1) ZEIT Online, 22.12.2010, <http://www.zeit.de/reisen/2010-12/outdoor-ausruestung?page=all&print=true>
According to information from the Outdoor Trade Fair
- 2) Clean Clothes Campaign, "2010 Company Evaluation", <http://www.cleanclothes.ch/p18581.html>,
Outdoor Magazine, "Readers' Choice Awards 2010: Trends of the Year", <http://www.outdoor-magazin.com/> ;
Ethical Consumer Magazine,
- 3) "Outdoor Gear Special 2010", [http://www.ethicalconsumer.org/EthicalConsumerBlogs/tabid/62/EntryId/417/
New-Outdoor-Gear-buyers-guide.aspx](http://www.ethicalconsumer.org/EthicalConsumerBlogs/tabid/62/EntryId/417/New-Outdoor-Gear-buyers-guide.aspx)





FWF Code of Labour Practices No.2

There is no discrimination in employment

Recruitment, wage policy, admittance to training programmes, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps (ILO Conventions 100 and 111).

Work in China

Work means something different in every country. The cultural, political and economic environment plays a key role in this. If we want to ensure that fair working conditions are adopted by all of our manufacturers, we need to understand the local market situation and working climate. This can be a real challenge, as in the case of Asia and in particular in China - a highly ambitious country, whose labour market has undergone a fundamental change since the financial crisis.

Various Chinese suppliers reduced their capacity for outdoor products following the 2008/2009 global recession. Many factories even closed entire operations. An economic recovery only became evident from mid-2009. Production orders quickly increased both from overseas and domestically.

Dilemma Facing Chinese Manufacturers

As you might expect, this led to a chain reaction: Manufacturers who had survived the recession were then overwhelmed with orders. The conventional lead times could no longer be adhered to. The capacity problems within production needed an immediate solution - therefore overtime became the norm.

According to newspaper reports, wages have risen as never before, by as much as 30% in 2010.

The situation intensified after the Chinese New Year 2010: Numerous workplaces remain empty in large industrial regions of China. A shortage of over 2 million skilled workers was reported in spring 2010 in the province of Guangdong alone. Guangdong is a central pillar of the textile industry. These economic changes are connected to social upheavals. China's younger generation is cultivating a very different view of the world to their parents. They are globally connected via Facebook and

other platforms and are better informed. They have high expectations of the government and their lives. As demonstrated by the many strikes in 2010, they are also less reluctant to take to the streets and stand up for their rights.

The Crisis as an Opportunity

The effects of the crisis have been dramatic: Factories have had to improve living and working conditions and social benefits, including for migrants. Many have invested in more efficient machinery and have changed their location, moving away from the larger industrial areas to smaller, more rural premises. According to newspaper reports, wages have risen as never before, by 17% in 2009 and by as much as 30% in 2010.

Not Over Yet

Given these developments in China, Mammut's procurement team certainly had their work cut out. The effects will continue to mark our business in 2011. For more on this, see pages 11/13.



FWF Code of Labour Practices No.3 No exploitation of child labour

There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years." (ILO Convention 138) "There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals." (ILO Convention 182

Behind the Scenes

Fair working conditions are possible – as long as the right framework exists. Here, as a company, we are required to commit to adapting internal guidelines and processes. But there are also demands on you as an end consumer. You can send a message through your purchasing decisions. We do our homework to the best of our knowledge and belief – how about you?

The “Code of Labour Practices” – the Fair Wear Foundation's (FWF) code of conduct – is the centrepiece of our corporate responsibility. Not only we, but also our clothing suppliers, undertake to gradually improve working conditions in accordance with the code. Every year a work schedule and plan of action is drafted which sets out appropriate goals and describes their implementation. As part of the social annual report, we are required to account for our activities transparently.

Trust is good, monitoring is better. The FWF has three key instruments for this: firstly, it places the management system of every member company under the microscope (annual Management System Audit, MSA). Secondly it carries out verification audits at supplier companies directly. Thirdly, it maintains a complaints procedure as a direct connection with employees of supplier companies.

People are the Key

Mammut employs two people to implement corporate social responsibility and its commitment to the FWF. Responsibility for this lies with the Corporate Responsibility (CR) team on the one hand and with a member of the purchasing team on the other. The latter is also responsible for operation of the monitoring system. In addition, relevant documentation, such as the supplier register and corrective plan of action, is continually updated and internal training is carried out annually for the purchasing team.

Communication and dialogue are of key significance to good collaboration. That is why suppliers are informed about business developments and social corporate responsibility twice a year in Mammut's Supplier Newsletter. Mammut also maintains a quality assurance team in China and Vietnam.

Purchasers, designers and textile coordinators meet at supplier companies 3-4 times a year. A corresponding report is drafted after each factory visit which sets out, among other things, any CR-relevant observations. If adverse working conditions are observed, these are included in the corrective plan of action. Conversely, suppliers also visit our trade fairs (twice a year) or our headquarters in Seon, Switzerland. The management (Mammut CEO and/or Chief Supply Chain Officer (CSCO)) assesses the quality of our business relations seasonally.

Economise Globally

Mammut products are produced in various countries, approximately equally across Europe and Asia (see manufacturer register, page 13/15). We have two collections a year – summer and winter. In winter the clothing turnover is 55% higher than in the summer season. A collection comprises around 250 products, divided into four different target groups: Alpine, Mountain, Snow and Climbing.

All clothing suppliers have received and signed the FWF code of conduct and have completed a questionnaire. This provides information about where the supplier stands on matters of labour conditions and whether or not it has already undergone social audits for example. It therefore enables an efficient and effective approach. Where turnover exceeds 2% of Mammut Sports Group's total purchases, a supplier commissioned by Mammut is audited in accordance with the FWF guidelines.

At Eye Level

Between 45-65% of styles are carried forward from one season to the next. Wherever possible, these products are made by the same supplier. New styles are assigned to a supplier based on the specific product



FWF Code of Labour Practices No.4 Freedom of association and the right to collective bargaining

The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Conventions 87 and 98) The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions. (ILO Convention 135 and Recommendation 143)

Annual Planning and Management Cycle



7: Annual Planning and Management Cycle

types. We only use the comparison principle in exceptional circumstances and we approach several manufacturers for a particular product.

The majority of our products are quite elaborate and require a high degree of investment, experience and knowhow. We rely on long-term business relationships based on trust, partnership and a win-win situation – the average duration of collaboration with our suppliers (clothing, harnesses, backpacks and sleeping bags) is 8.4 years. Our requirements of our partners are based on the same criteria we apply for our products: quality, innovation, price and working conditions at the company. If several of these criteria are not met, this can result in termination of a business relationship. In the year in question, our collaboration with two manufacturers (see supplier 11233 and 11008 on the supplier register) was ended. The reason was not in the aforementioned criteria however, but simply that the styles produced by these manufacturers were replaced in the collection.

Planning, Planning, Planning

The process from product concept to finished product in store takes a full two years. Incredible and yet necessary given the effort involved. Each collection is meticulously planned each season and implemented according to a specific schedule. The suppliers are involved in the product design process from the outset. This allows them to plan for production orders and the necessary human

resources early on. The respective collections are presented and corresponding regional budgets set at the international sales meeting. The product orders reach our warehouses in Switzerland, Germany, the USA and Japan each December/January (for the subsequent summer season) or May-July (for the subsequent winter season) so they can be sent to our retail partners on time.

Communication and Complete Transparency

All FWF-relevant documents are stored in the internal Quality Management System (QMS) and can be viewed by all employees. Regular meetings between the CR team and Purchasing, and with management, ensure that the monitoring system and implementation of the code of conduct are being systematically and effectively promoted. Internally and externally, the theme of social corporate responsibility is actively communicated. To sum up, one aspect in particular is important to the FWF: that all activities and measures taken are coherent. As the last FWF Management System Audit (MSA) showed, Mammut still ranked as a pioneer among the FWF's member companies even after two years of membership (see page 17/19).





FWF Code of Labour Practices No.5 Payment of a living wage

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

Mammut Supplier - Register

Updated: 10.01.2011

Origin			Supplier				Monitoring				
Sector	Region	Country	No.	As % of Mammut 2009 purchases	No risk acc. to FWF	need audit acc. to FWF	FWF forms undersigned A	Done 2010	Last audit	Planned for 2011	Corrective Action Plan D status
Apparel	Europe	Lettland	11201	13.9%	14%		✓	14%	Sep 09		
		Portugal	11030	11.3%	11%		✓	11%			
		Turkey	11223	8.0%		8%	✓	8%	Okt 09		Pending
		Portugal	11214	3.1%	3%		✓	3%			
		Germany	11091	2.1%	2%		✓	2%			
		Portugal	11059	1.7%	2%		✓	2%			
		Turkey	11256	0.6%		1%	✓				
		Italy	11002	0.1%	0%		✓	0%			
		Romania	11012	0.0%		0%	✓				
		Ireland	11045	0.0%	0%		✓	0%			
	Turkey	11233	0.0%		0%						
				41%	32%	9%					
	Far East	China	11071	18.6%		19%	✓		B delayed	Feb 11	
		China	11072	15.9%		16%	✓	16%	Mai 09	Aug 11	
		China	11004	5.8%		6%	✓	6%	Nov 09		Pending
		China	11182	3.9%		4%	✓	4%	Nov 09	Mar 11	Pending
		India	11242	1.7%		2%	✓	2%	Apr 10		
		Vietnam	11208	1.6%		2%	✓				
		China	11261	0.9%		1%					
		China	11136	0.7%		1%	✓	1%			
China		11013	0.6%		1%	✓					
China		11015	0.5%		0%						
India		12220	0.4%		0%	✓	0%				
China		11224	0.2%		0%						
Vietnam		11260	0.2%		0%						
China		11005	0.1%		0%						
India	11204	0.0%		0%							
China	11008	0.0%		0%							
			51%	0%	51%						
Harnesses & Backpacks E	Asia	Vietnam	11088	4.8%		5%	✓		F Feb 11	New	
		Philippines	11178	3.5%		3%	✓		To be confirmed	New	
				8%	0%	8%					
Required by FWF							60%		90%		
Total as purchases				100%	32%	68%	97%	C 69%		96%	

- A** All manufacturers completed the FWF questionnaire and commit to the code of conduct.
- B** The audit has been postponed to 2011 by the supplier.
- C** Mammut is also surpassing the FWF requirements this year.
- D** The Corrective Action Plan (CAP) is derived from the audit reports directly. Each resulting measure is marked as pending in the internal CAP register. Where it is possible to successfully implement a measure in collaboration with the supplier firm, we change the status. Thus completed and ongoing improvement initiatives remain visible in the CAP register.
- E** In 2011 we will be extending our monitoring system to include the harnesses and backpacks product groups.
- F** All backpack and harness manufacturers have already committed to the code of conduct.





FWF Code of Labour Practices No.6

No excessive working hours

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate. (ILO Convention 1)

2010 Review, 2011 Prospects

We want to act rather than talk. Below is an overview of what we have achieved in 2010 and what our main challenges are. These will remain on our CSR agenda for 2011 and will be replaced with new measures. We will carry on with our efforts.

A Never-Ending Path

Consolidate, improve and communicate – that was our approach in 2010. Thus we overhauled internal processes and adapted the Quality Management System (QMS). A new FWF tool to assess the quality of third party audits has been implemented in the QMS. The purchasing team underwent internal training on monitoring. Mammut employees have been informed about the current state of affairs with regard to corporate responsibility in various ways – events, web and staff magazine, photographic exhibition etc. In January 2011, the FWF also organised a workshop in Shenzhen for Chinese suppliers which was attended by three of our five Chinese partner companies active in the region, upon our suggestion.

The results are plain to see. This is proved not only by the Fair Wear Foundation, who gave us top marks in the annual Management System Audit (MSA)⁴. But also this year's Clean Clothes Campaign (CCC) company evaluation put the Mammut Sports Group among its "pioneers" (see page 5).

Challenges

Rights are worth nothing if those entitled are not aware of them. That is why the Fair Wear Foundation requires its member companies to display the code of conduct in an easily visible place, and in the local language, in every supplier firm. In December 2010, we send out posters showing the standards in English – the local language versions were still being printed – to our clothing suppliers. Not all were willing to display the poster however. We are currently in discussions with these.

Topic	Sector	2010 Objectives	Status	2011 Objectives
Corporate Social Responsibility	Monitoring	Consolidation of the internal Management System (MS)	Achieved	Improvement of monitoring instruments: - development of internal guidelines for the corrective action plan - better incorporation of manufacturers in low-risk countries
		Gradual expansion of internal MS to other product groups	Ongoing	Auditing of harness and backpack manufacturers Assessment of possibility to increase efficiency and effectiveness of audits, including collaboration with third parties
	Verification by FWF	FWF follow-up in accordance with MSA report	Achieved	FWF standards follow-up in accordance with MSA report
	Communication	Social Annual Report 2010, in accordance with FWF	Achieved	Social Annual Report 2011, in accordance with FWF
		Gradual expansion to other CSR-relevant criteria	Achieved	Posters in local languages Attendance of Chinese suppliers at FWF "From Burden to Benefit" seminar in Shenzhen

4) See http://fairwear.org/images/2010-12/mammut_public_msa_report_2010.pdf





FWF Code of Labour Practices No.7 Safe and healthy working conditions

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

In January 2010, two complaints were received from employees of two Chinese factories. The point of criticism was excessive overtime⁵. We are in discussions with the supplier firms in question and have already taken action. We are anticipating overtime to continue in 2011 however, in view of the aforementioned market situation (see page 9).

Effects of Market Developments

Rising raw materials prices, exchange rate fluctuations, increased wages, better working conditions for migrants – market developments in China have direct effects on our business (see page 7). This results in a significant increase in our production costs meaning that today production of shoes and clothing is already cheaper in places in Europe than in China. Europe is also dominated by recession which has resulted in increased costs and a weak Euro. Sales have fallen for many supplier companies, by as much as 30% for our partner in Latvia.

The Mammut Sports Group wants to continue with balanced production between Europe and the Far East.

The Mammut Sports Group wants to continue with balanced production between Europe and the Far East. This is because the choice of business partner is determined not only by the production costs but also by other criteria such as product quality and performance, innovation capacity and fair working conditions. Thanks to long-standing business relations with the majority of our suppliers, there is also a basis here for sound and productive collaboration.

Where To?

The changes in China will also mark 2011. Capacity problems and delivery delays for suppliers mean that some goods will need to be transported by air. Mammut essentially avoids air transportation – not only do the costs make a difference but the environment also suffers as a result. Unfortunately this approach is difficult to maintain in this situation however.

In 2011, our focus will be on expanding our monitoring activities to include suppliers of other product groups. Our backpack and harness manufacturers will be incorporated in an initial phase. They have already signed the FWF “Code of Labour Practices” and have returned the completed FWF questionnaire. As the next step, we are planning to either commission a social audit or obtain an audit report from a third party. An additional audit will be carried out at factory 11071.

Further planned measures relate to the monitoring instruments and activities, communication of the code of conduct and further awareness-raising in our suppliers on the issue of social corporate responsibility. We are also drafting the plan of action for expanding the monitoring activities to include our sleeping bag manufacturers.

⁵ For more on this, see the FWF interim report (English) at http://fairwear.org/images/2010-05/20100303complaints_mammut_odlo.pdf



FWF Code of Labour Practices No.8 Legally-binding employment relationship

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.

From the Perspective of a Chinese Manufacturer

Gerhard Flatz has lived and worked in China since 2002. The Austrian native has managed clothing manufacturer KTC (Knowledge Technology Craft) since 2008. The factories in southern Chinese Guangdong and in Laos produce technical sports and work clothing and employ a total of 5000 staff. As the first supplier, KTC became a member of FWF in spring 2011. Mammut asked Mr Flatz about production conditions within the Oriental country: the benefits, changes and tasks for the future.

Mr Flatz, in Europe the phrase “Made in China” has a somewhat negative image. To consumers, China is regarded as a low-wage country with dubious working conditions. Justifiably so?

China is clearly no longer a typical low-wage country. In recent years, production costs, particularly in the southern coastal regions, have risen greatly. Because of the acute lack of workers and rising cost of living, wages have almost doubled. After Malaysia, China has become the second most expensive country of production in eastern Asia. Those concerned only with low production costs, send their orders to Bangladesh.

Why are many companies in the outdoor sector making a conscious decision to have their functional clothing produced in China?

Because here we have the knowhow, ultra-modern production technologies, specialised machines and trained skilled workers for the textile industry. Not all of this is available in other countries, not even in Europe. Such conditions are a prerequisite for high quality products however since the production of functional clothing has become a highly complex process. Today, tailoring uses machines and various components are adhesively bonded using complex bonding technologies. Sometimes, a jacket consists of up to 250 separate components and up to 1500 different steps are required to put them all together. Naturally the transportation infrastructure, which has seen huge investments in China over the past few years, is also a plus point. This enables goods to be delivered quicker and more reliably than from other Asian countries. That is a huge competitive advantage.

And what about the working conditions under which products are manufactured in China?

Independent factory inspections, for example by the Fair Wear Foundation, have increased greatly in China in recent years. Many clothing manufacturers have changed their pay systems as a result thereof and are making greater efforts to comply with international standards. Since the so-called Labour Contract Law, which came into force in 2008, the statutory minimum wage has also risen in almost all provinces. Since July 2010 there is also a law requiring social insurance for all workers and salaried employees. Overtime remains the biggest problem within the production chain.

Why is limiting overtime so complicated?

Because working hours in factories are influenced by a great many factors. The fabric goods manufacturer is just one member of the entire supply chain and he's not at the beginning. Delays can arise in production fairly quickly – to still respect the handover deadlines, I have to make up for the delay through employee overtime. Overtime occurs primarily around production peak times. Traditionally there are only two in the outdoor industry, as there are only two collections a year. And the better a customer plans the order, the more balanced the rate of production within the factories and the less the need for overtime arises.





Our aim is to offer the very best alpine products, assume our social responsibility and leave behind the best possible ecological footprint. So that future generations can be mountaineers as well.



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