



SOCIAL REPORT 2015



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Letter from the CEO



We are a group of mountain enthusiasts, a family of brands united by the passion for mountain sports and driven by our commitment to the communities of the places where we live and work. Our aim is to integrate the mountaineering spirit in our daily life and operations: respecting nature, saving resources by using only the necessary, leaving as few traces as possible and taking responsibility for the people around us.

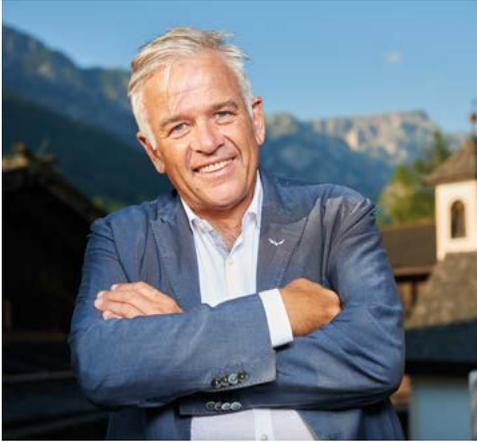
Taking responsibility for the people around us. It sounds easy, but for a growing, global company, with offices and partners around the world this task becomes complex. We are committed to treating everyone with respect, and this means caring for the people who work for our company, the people who buy and use our products, and those along the supply chain.

This includes, of course, the people who play a role in making our products, and they are at the centre of this Social Report. Core aims of the Company are to have solid partnerships with suppliers who can guarantee that high social standards are a must, and creating an environment where this is a reality and a living culture. But also, to deepen and share knowledge. We are proud members of trusted and respected networks like bluesign® and the Fair Wear Foundation, who have given us valuable support in reaching our goals. They have also allowed us to cooperate with other global players and by joining forces, to increase the impact of the changes we make.

A handwritten signature in black ink, appearing to read 'Massimo Baratto'.

Massimo Baratto, CEO Oberalp Group

Letter from the President



The majesty of the mountains reminds of how small we humans are and that is good. My parents taught me values such as humility, trust and community, and this is what I hope to pass on to future generations, and although sometimes a challenge, what should create the foundation also in our business decisions.

In mountaineering, there is a fine line between the euphoria of success and the disappointment of failure. During many adventures in the mountains, it has been my experience that intuition and guts can only take you so far – it is past experiences that prevent careless behaviour. I try to apply the same principle to challenges I face in my personal and professional lives.

Today, as I am growing older, I often look at mistakes I have made in the past and how I have learned from them. This has made me aware that taking responsibility for things you HAVEN'T done also plays a significant role. This is great motivation regarding the company's social responsibility and environmental awareness, and how we can implement this in the improvement process. It puts me in the shoes of our managers in offering a vision, an overall approach that will spur them on to plan long term and to advocate for responsibility towards humans and nature. This always includes the challenge of developing and implementing a brand and company culture that doesn't just nourish short-term actions, but rather creates a healthy foundation for the future.

The modern, internationally connected world we live in opens us up to an enormous wealth of information, which causes restlessness. Yet I wish to remain authentic and careful, as it's important to be clear in this regard.

The Oberalp Group is a family-owned, management-driven business, the family is taking care of the company culture. As a businessman, father and grandfather, I feel it is my ultimate responsibility to protect core values and impart them to future generations. While doing so, I always pause and ask myself if the changes make sense before I implement them. Together, let us look ahead and face the challenges which await us head on, accepting the struggles and efforts that are part of it because, at the end of the day, the steeper and longer the path, the more beautiful the view.

A handwritten signature in black ink that reads "Heiner Oberrauch".

Heiner Oberrauch, President

Summary: goals and achievements in 2015

2015 was a very important year. Joining the Fair Wear Foundation (FWF) at the end of 2013 meant re-organizing our team internally, re-thinking our auditing system and opening up to third-party verification in our factories. Since then, we have discovered opportunities for improvement and have been able to strengthen our relationship with our manufacturers further.

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

The latter has always been a goal of our Company, and the FWF system has been of outstanding support in reaching it. Preconditions for FWF membership are playing with open cards, serious engagement, and communicating on a regular basis with all the stakeholders involved. Also cooperation is key. In our products, we strive to differentiate ourselves from other brands. But regarding our suppliers we have two things in common: we cooperate with specialists, and often our partners and their factories are spread around the world, in countries with cultures and standards very different to ours. Members of the FWF disclose all production facilities, and if there are "matches" or factories which work with more than one brand, FWF communicates this to the brands concerned so we can join efforts. Friendly and effective exchange between us makes it more likely to persuade suppliers to make improvements.

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

In 2015 we managed to maintain and further strengthen the high standards we reached in 2014 in all three aspects of the implementation of our social policy along the supply chain:

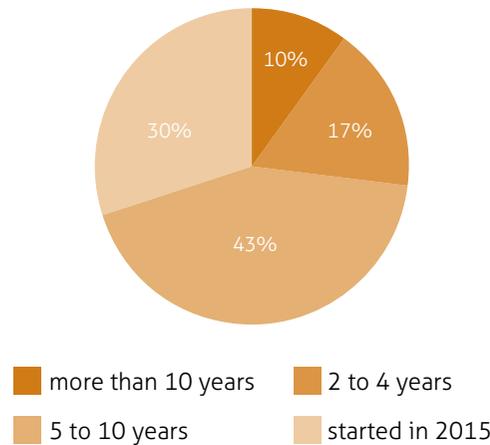
- **Communication** of our Code of Conduct (CoC) and the FWF Code of Labour Practices with all our suppliers, with their commitment to respecting and upholding the standards set;
- **Monitoring of the working conditions** in our factories went from covering 78% of our volume in 2014, to nearly 90% in 2015.
- **Transparency:** information on our suppliers and processes is now public, and the exchange of information about our factories with our competitors increased. This allowed us join efforts in effectively improving the working conditions in the factories we share.

1. | WHO MAKES OUR PRODUCTS

1.1 OUR SUPPLIERS

We work hard to build long-term and stable relationships with our suppliers, and around 60% of our suppliers have been with us for more than 5 years. 17% for more than 10 years, 43% between 5 and 10 years, and 30% between 2 and 4 years. We believe the only way to grow as a Company is to have partners who themselves grow and improve also, and we cooperate with them to improve the working and environmental standards in their factories. However, we may start business with new suppliers for a number of reasons: technical or quality requirements, or in some cases, because an existing supplier does not fulfill our CSR standards and does not cooperate in the improvement of working conditions in its factories. This makes up around 10% of our suppliers.

COOPERATION WITH OUR SUPPLIERS IN TIME



Each season we evaluate each supplier's overall performance to decide whether to continue, invest, divest or stop working with each partner. Key in this analysis are the results obtained in terms of workers' rights: general cooperation and commitment, the findings during auditing in the factories, and the solution of problematic issues found. Our aim is to help suppliers in the process of reaching higher standards in their facilities, but when this is not possible because the actual conditions of the factories do not meet the basic health and safety standards, and the supplier is unwilling or unable to make significant improvement, we have to look for an alternative.

The decision to look for a new supplier involves our General Management, our sourcing staff, our pricing and quality Managers and our CSR team. We visit the prospective partner and conduct an evaluation of its facilities through a "screening procedure".

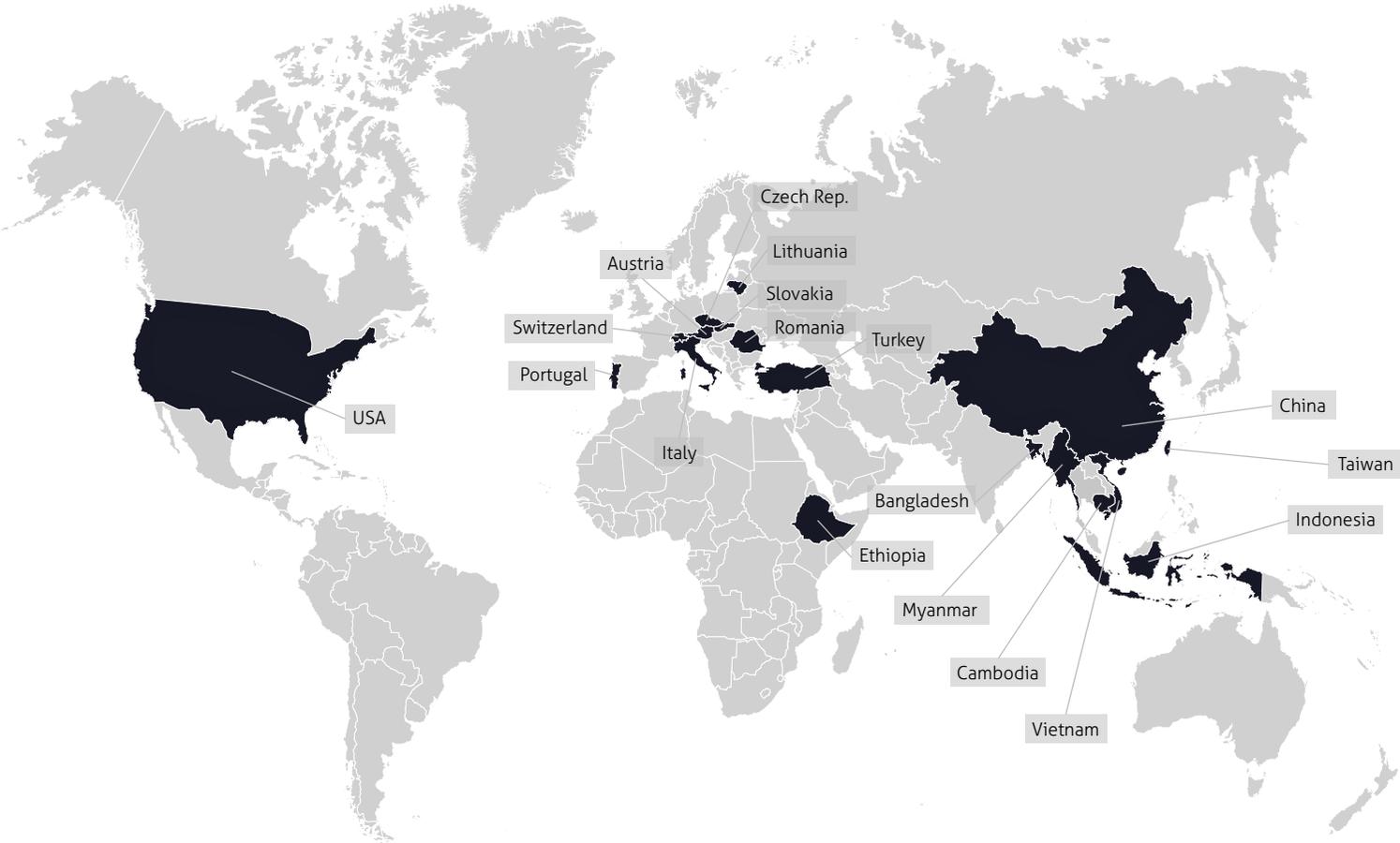
The criteria for an eventual cooperation are the **respect of labour standards contained in our CoC**, the availability of required **technologies or machines** and **capability** of the supplier to produce in the right way, the capacity of the factory to deal with our forecast quantities in the timing we

propose and at our target FOB price. Also the **geographic location** of the factory is important: a **logistics and environmental assessment** helps us to choose factories evaluating their potential environmental impact, and we prefer factories that are close to transport infrastructures, to fabric and accessories suppliers. Finally, a **quality and volume assessment** helps us to find the right production country and supplier with regard to our required quality standards, the estimated quantity, and the risks linked to production lead time and delayed delivery.

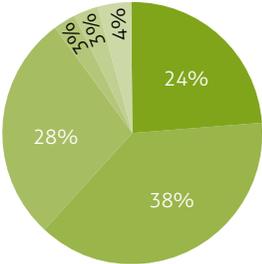


1. | WHO MAKES OUR PRODUCTS

1.2 PRODUCTION COUNTRIES



SALEWA and DYNAFIT product ranges are made in 18 different countries, 9 of which are in Europe or the USA, and where approximately 25% of our purchasing volume (FOB value) in 2015 was produced. The two most important supplier countries outside Europe are Vietnam and China.

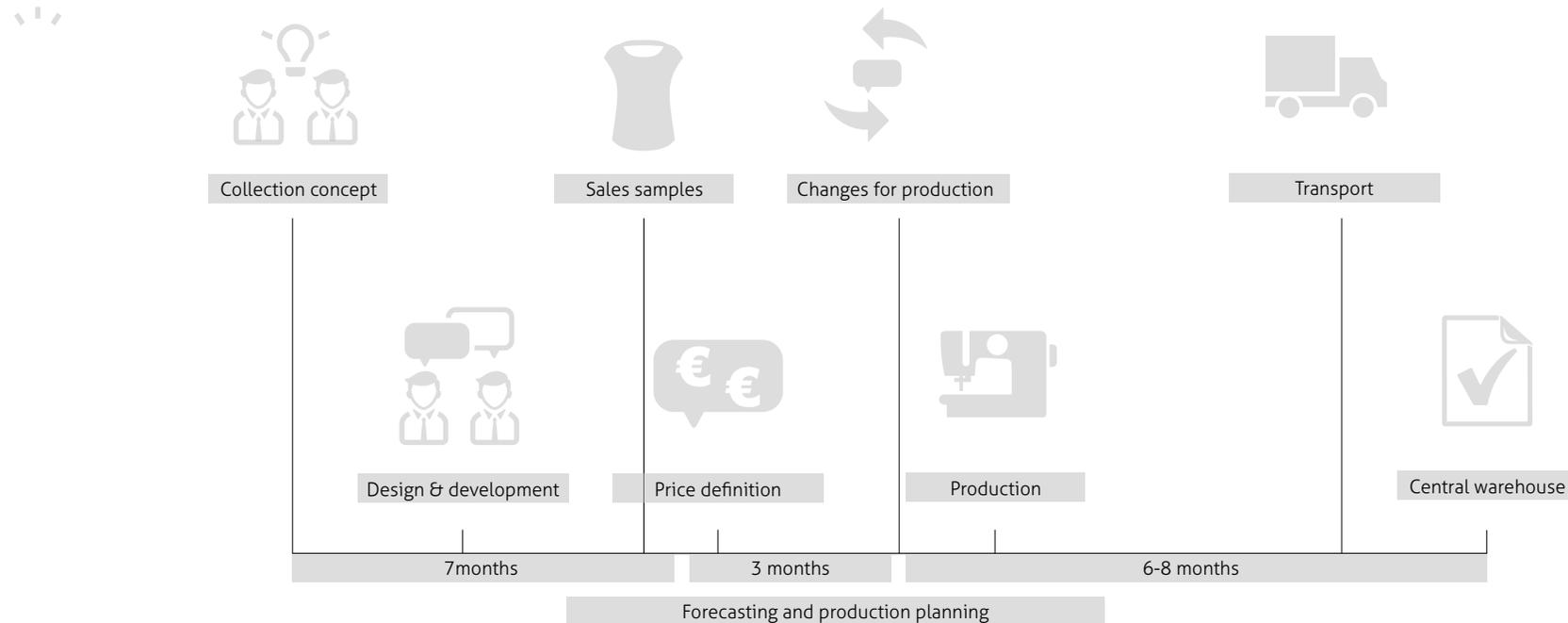


1.3 SOURCING

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

2. | PRODUCTION CYCLE

DESIGN AND PRODUCTION CYCLE



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

- a **feasible timeline** is agreed upon with the suppliers, aimed at establishing realistic production leadtimes: due regard of the relevant national and religious holidays in our production countries: Ferragosto (the Assumption of Mary), Chinese New Year, Qingming (Tomb Sweeping Day – All Souls), the two golden weeks (the first weeks of

- October and May), Taiwanese Peace Memorial Day, Mid Autumn Day, Dragon Boat Festival, the Water Festival (Myanmar) and Ramadan;
- enough time is allowed for the production and quantities are split between two or three **well-spaced** orders per season;
- **forecasting** is constant and as reliable as possible;

- **consolidation** of similar styles and fabrics to increase resource efficiency, the
- overall constant **communication** with the suppliers to solve doubts on either side, and
- **timely sending of all technical data and sample approval** so that suppliers can go ahead with the production as soon as orders are placed.

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

3.1 OUR STANDARDS

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

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

employees and suppliers aware of their rights and duties.

Our CoC has also evolved with time and incorporated stricter standards. The latest (2014) version includes the integration of the Fair Wear Foundation's Code of Labour Practices and the principles of the UN Global Compact:

OUR CODE OF CONDUCT

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

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

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

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

5. Payment of a living wage must be guaranteed. Wages are essential to meeting the employees' basic needs. We only deal with suppliers who compensate their employees fairly by providing wages, benefits and leave that is equal to or exceeding legal minimum wage or prevailing sports industry wage,

whichever is higher. The wages paid must be adequate to cover living costs and allow a reasonable discretionary income in addition. (UDHR, ILO Conventions 26 and 131).

6. Hours of work shall not be excessive and overtime duly paid. Suppliers should maintain reasonable working hours. They must ensure that the regular working schedule does not exceed 48 hours per week and guarantee that workers are provided with at least one day off after 6 consecutive working days. Overtime may not exceed 12 hours per week, may not be demanded on a regular basis and must always be compensated at a premium rate, (ILO Convention 1). Workers must always have the freedom to accept or to refuse overtime work.

7. Working conditions are decent and safe. Suppliers must provide their employees with a safe and healthy working environment, designed to prevent accidents and injury to health, arising out of or occurring in the course of work. This includes protection from fire, accidents, and harm through toxic substances, and guaranteed access to drinkable

water at all times. Moreover, lighting, heating, ventilation systems and sanitary facilities should be adequate. Factories must have safety and health policies and procedures that are clearly communicated to the workers. The same standards apply to residential facilities if they are provided to employees. Effective regulations must be implemented to prevent accidents and minimize health risk as much as possible (ILO Convention 155).

8. Freedom of association must be guaranteed. We expect all of our suppliers to grant their employees the right to freedom of association and collective bargaining, in a lawful and peaceful manner and without fear of any disciplinary action, penalty or interference. (Universal Declaration on Human Rights, ICCPR, ICESCR, ILO Conventions 87 and 98). Workers' representatives may not be subject to discrimination and shall have access to all workplaces necessary to enable them to carry out their representative function. (ILO Convention 135 and Recommendation 143).

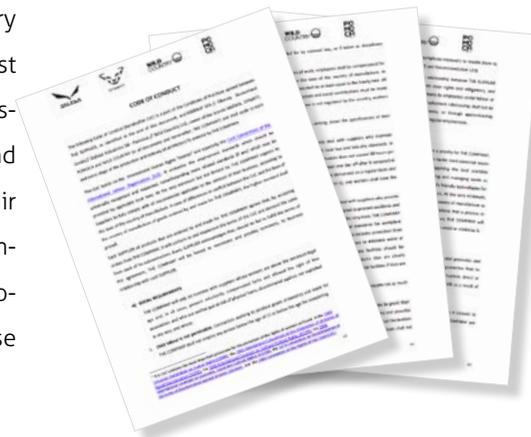
9. The employment relationship is formally established. The relationship between the supplier and its workers must be regulated by a written contract with clear rights and obligations, and giving the parties the possibility of lawful termination. Obligations to employees under labour or social security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

10. Environmental requirements.

Suppliers must implement an effective program and a system to tackle environmental issues in the factory, taking a precautionary approach. This includes applying the best available technologies and adequate measures to prevent pollution by reducing and managing waste as well as emissions to air and water, extending the use of environmentally friendly technologies for cleaner production, and supporting the sustainable use of natural resources.

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

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



3.2 COMMUNICATION

An introduction of the Fair Wear Foundation system of values and procedures to partners, and our commitment to working according to them with all suppliers, are part of our daily work. Suppliers who wish to cooperate with us must adhere to this long-term goal of ours.

All our partners have the obligation to sign our CoC and commit to its implementation, to disclose the data of the factories where they make our products, and to inform each factory about the implications of our Fair Wear Foundation membership and requirements. Dialogue is essential for the implementation of these standards, so we use every opportunity for refreshing this commitment. We remind the suppliers of the importance of it in our periodic communication, at our supplier conventions, and on our frequent visits to them we discuss the status and any difficulties they face.



3.3 MONITORING AND REMEDIATION

We monitor the implementation of our CoC and Fair Wear Foundation's Code of Labour Practices in the factories. In particular, dur-

ing our audits and visits to suppliers we look for evidence that the 8 labour standards are respected.

THE 8 LABOUR STANDARDS



1 employment is freely chosen



2 freedom of association and the right to collective bargaining



3 no discrimination in employment



4 no exploitation of child labour



5 payment of a living wage



6 reasonable hours of work



7 safe and healthy working conditions



8 a legally binding employment relationship



Some suppliers have an easier path, because local laws in place and existing social security systems provide good support. They are considered by Fair Wear Foundation to be "low risk country factories" (for example Italy, Lithuania, Switzerland, where in 2015 we produced around 20% of our total volume) and decent working conditions are a given. Subscription of our Code of Conduct is still essential, the posting of a document in the local language informing workers of their rights and publishing a helpline allowing them to inform us of any irregularities is a must. Even though monitoring is not essential, we visit the factories and make informal audits in any case. Until now we have not found any critical situations and these factories have very high standards, making our work in this respect quite light.

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

- **Data collection:** we put in place a system for suppliers to inform of the planned production sites and make a screening of prospective factories;
- **Worker information:** we verify that workers are made aware of their rights via the posting of a so-called "Worker Information Sheet" provided by Fair Wear Foundation in the local language, and also by offering training sessions for the staff and workforce of the factories; and
- **Auditing and monitoring:** our quality control team monitors each facility where our products are made and visits them if possible once a year, and we also carry out social audits. In 2015 we visited 98% of our production facilities and monitored the workers' rights situation through audits covering nearly 90% of our production volume. Each audit is followed by a complete assessment of the findings regarding each of the 8 working standards. In case we find situations of non-compliance, a corrective action plan (CAP) with steps for remediation, and a timeline for them, is set up. Auditing and CAP follow up until all issues are closed are communicated to other brands who also produce in the factory and thus share the interest of seeing the solution of the problems.

"LOW-RISK" COUNTRY SUPPLIERS

Country	Factory Code FWF System	Production share
Austria	4570	0.02%
	5419	0.05%
Czech Republic	2752	0.16%
	5418	0.83%
Italy	5416	11.76%
	5451	0.14%
	5459	0.22%
	5463	0.06%
	5474	0.14%
	5847	0.35%
	6234	0.14%
	7254	0.11%
	9682	0.17%
	9728	0.03%
	9729	0.05%
Lithuania	5460	0.01%
	3854	1.12%
	5435	3.12%
Portugal	5756	0.08%
Slovakia	9829	0.02%
Switzerland	5417	1.39%
USA	5424	0.11%
TOTAL Low Risk		20.09%

Auditing is not necessary in low-risk countries. All our partners did, however, sign and confirm compliance to our CoC and Fair Wear Foundation's Code of Labour Practices, and we visited most of these factories in 2015. The facilities we did not visit are long term partners of ours, with an average of more than 8 years partnership and present no risk of non-compliance with our standards.

"HIGH-RISK" COUNTRY SUPPLIERS

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

Country	Number of production facilities	Signed our CoC	Posted information sheet with workers' rights in the factory	Number of audits
China	75	75	52	26
Vietnam	12	11	10	10
Indonesia	4	4	4	2
Bangladesh	3	3	3	1
Turkey	2	2	2	2
Romania	2	2	2	1
Taiwan	2	2	2	1
Myanmar	1	1	1	1
Cambodia	1	1	1	1
Ethiopia	1	1	1	1

In 2015 we managed to cover nearly 90% of our production volume with low risk production plus audits:

Countries Covered by Monitoring - Low Risk or Audited	Percentage of our volume covered by audits
Low Risk	20.09%
Vietnam	37.54%
China	17.68%
Romania	3.66%
Indonesia	2.11%
Bangladesh	2.06%
Turkey	1.79%
Myanmar	0.92%
Cambodia	0.79%
Ethiopia	0.44%
Taiwan	0.12%
TOTAL	87.3%

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

VIETNAM

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Infor- mation Sheet is posted in the factory	Visited in 2015	Worker Trainings	Audits or fol- low-up of audits from the past three years
3268	0.95%	yes	yes	yes	yes		X
3919	7.50%	yes	yes	yes	yes	X	X
4568	0.45%	yes	yes	yes	yes	X	X
5421	2.81%	yes	yes	yes	yes		X
5434	0.99%	yes	yes	yes	yes		X
5497	18.05%	yes	yes	yes	yes		X
5645	5.72%	yes	yes	yes	yes		X
6032	0.23%	yes	no	no	no		X
7219	0.10%	no	yes	yes	yes		
7371	0.69%	yes	yes	yes	yes	X	X
7637	0.15%	yes	yes	yes	no		X

In 2015, we had 11 factories and produced 37,6% of our total volume in Vietnam. Being the country with the highest production share, we concentrated our auditing efforts, and managed to cover 99,7% of our total volume in the country, between follow-up on the audits performed the previous two years, and new ones shared with other brands. We also organized three worker training sessions.

We found no issues regarding **the freedom of choice of employment, child labour or discrimination in employment** in these factories. Minor **health and safety** issues were found and followed up, solved and closed. Fire safety measures were implemented and training given to workers, and records of all this were kept, as requested.

Freedom of association and collective bargaining is a critical issue in Vietnam. The most

frequent problems are the lack of dialogue mechanisms or procedures in place, or that, when they do exist, they do not work adequately: they are not communicated by the company to workers, worker meetings are not held every 3 months as required by law, no record is kept on the meetings, executive committees lack communication skills and procedures, election processes are not known to workers, and that union leaders are not part of the workforce or not elected democratically

by the union. In 2015, problems we had found in previous years were largely solved: in one factory, a dialogue procedure was created and discussed with the President of the Union; in another, the factory invested in worker training on union rights and held elections at the end of the year and in another, the factory committed to improving its communication of the procedure for union membership to newcomer workers.

Achieving the **payment of a living wage** is one of our main goals. In our audits we found that even though the legal minimum wage is paid to workers, wages are below estimates of living wage by local stakeholders. Additionally, in some cases workers do not understand how wages are calculated. We are working towards the solution of these problems with the suppliers: providing training to workers on their rights regarding payment (clarity, overtime and leave), seeking immediate remediation of unpaid leave and looking for a way to contribute to the payment of a living wage.

Overtime is common in Vietnamese factories, mostly due to poor planning in the handling of production orders. Alongside demands that the factories make improvements, we are doing our part by increasing our forecasting, our cooperation with fabric suppliers, and avoiding last-minute changes. This should allow for better planning and result in feasible production timing within **reasonable hours of work**.

3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

CHINA

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Infor- mation Sheet is posted in the factory	Visited in 2015	Worker Trainings	Audits or fol- low-up of audits from the past three years
73	28.40%	100%	100%	70%	100%	2	26

In China we had 75 factories and 29% of our production volume. We performed 7 audits with Fair Wear Foundation, and followed up on the ones done the previous year by FWF and by other third-party auditors. We carried out 2 worker training programmes.

We found **no issues of forced labour, discrimination or child labour.**

The three main issues we encounter in Chinese factories are related **to freedom of association and collective bargaining, overtime and the payment of a living wage.**

Many factories do not have existing trade unions in place, and others where they do exist, do not function correctly, or workers are not aware of them. Explaining the importance of dialogue between management and workers, proposing Worker Education Programmes and accompanying the factory in setting up worker committees are some of the steps that are carried out, and suppliers have shown their availability in implementing changes. They are willing to provide further training to workers and improve their communications policies to make these rights more effective.

Payment of a living wage and the mitigation of overtime are the two most relevant issues, and the ones where we face the toughest challenges. One of the reasons is the lack of transparency: we have repeatedly been presented with false payment and attendance records. Double book-keeping is very frequent and the information we are presented with makes the calculation between the hours worked and the pay quite impossible. As for **excessive working hours**, even though in the last years we have improved our planning and increased the quantity and quality of our forecasts, in 2015 it did not have the effects we expected. Suppliers still suffer from poor planning themselves. They accept our orders and confirm the quantities and timing, the allocation to designated factories, but in the end find themselves not being able to fulfill their promises. Plus, they do not inform us in a timely manner and thus solving problems together with them becomes even more difficult. Our controls are tight and constant, and we are setting them earlier each time, to get to the bottom of this problem and find additional ways to contribute to the solution. However, we are realistic and aware that, even if we make great improvements on

our side, other companies source from these factories and might not follow our pattern, so the problem may persist. We will nevertheless continue to do our part.

Cooperation and hard work are needed to make serious improvement, and we will continue to focus on these two aspects.

Minor issues regarding **health and safety** were found and the factories pledged to solve them promptly: to free the exits, to check the extinguishers and replace them if needed, to install or distribute protecting devices where missing, and to provide ergonomic chairs for the workers.



3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

ROMANIA

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2015	Audits or follow-up of audits from the past three years
2708	3.66%	yes	yes	yes	yes	X
9714	0.16%	yes	yes	yes	yes	

In 2015 FWF audited one of our partners in Romania, who produces around 4% of our total volume, and followed up on a previous audit (2013) comparing the findings.

Like on the previous audit, no issues of **forced labour, discrimination or child labour** were found, **and working hours** were judged to be reasonable. All workers have signed an employment contract, but it was evidenced that job descriptions did not match the actual duties. Management was called on to improve this and immediate action was taken.

Progress was made in most areas during the two years that passed, but there is still work to be done on internal communication, worker complaints handling, health and safety and wages.

Some **health and safety** issues were encountered: a lack of explanation in the use of chemicals, a foreign language in the instructions for use of machinery and the need for standing workers to have a place to rest. Most were solved immediately and the rest will be closed soon.

Wages are still an issue. Although they are 20% above the legal minimum, some local stakeholders still maintain they are not enough to make a living. We have discussed this with the supplier and will continue to work on this topic.

TURKEY

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2015	Audits or follow-up of audits from the past three years
3918	0.13%	yes	no	no	yes	X
5445	1.67%	yes	yes	yes	yes	X

In 2015 we worked together with two factories in Turkey and produced 1,8% of our total volume. Audits performed in the year found minor health and safety issues and two minor issues regarding payment, all now solved.

We have ceased cooperation with one of the suppliers and the other one, who has been working with us for more than 8 years, will be audited by Fair Wear Foundation in 2016.



3.3 MONITORING AND REMEDIATION
A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

BANGLADESH

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2015	Worker Trainings	Audits or follow-up of audits from the past three years
5513	0.92%	yes	yes	yes	yes		
5843	2.06%	yes	yes	yes	yes	X	X
9686	0.02%	yes	yes	yes	yes		

In Bangladesh we worked with 3 factories who covered 3% of our production volume in 2015.

We continued to monitor our suppliers in Bangladesh very closely. We work only with factories who are members of the Accord, take safety seriously, and conduct regular checks, improvements and worker trainings inside the workplace. Our Bangladesh staff follows up

on this, monitors the execution of corrective measures in case problems are found, and is trained and updated constantly. We participated in FWF's Seminar "Management workshop on Fire & Building Safety" on 19 December in Dakha. Unfortunately many issues are still to be solved and improvement is required. We will continue to cooperate with our factories and check progress regularly.

Apart from following up on specific safety issues inside the factories, we invited our factories to attend FWF's Supplier Seminar in December 2015, focused on social dialogue, local grievance mechanisms and in setting up effective communication structures between workers and management. All our suppliers participated.



INDONESIA

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2015	Audits or follow-up of audits from the past three years
5515	0.44%	yes	yes	yes	yes	
5520	1.18%	yes	yes	yes	yes	X
5523	0.93%	yes	yes	yes	yes	X
5729	0.32%	yes	yes	yes	yes	

In Indonesia, 4 factories produced 2,9% of our total volume in 2015.

In the audits performed we found no **forced labour, discrimination or child work**. Also no issues of **overtime** or **wages**. Minor **health and safety** issues (emergency exit signaling) and **training** needs for the workers were discussed with factory management, and actions were taken immediately. All matters have been solved.

3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

MYANMAR

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Infor- mation Sheet is posted in the factory	Visited in 2015	Worker Trainings	Audits or fol- low-up of audits from the past three years
5311	0.92%	yes	yes	yes	yes	X	X

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

The social audit found no issues of **forced labour, discrimination or child work**.

Health and safety issues found are being discussed with the supplier and improvements have been made.

There is an ongoing discussion about wages because, although an official minimum wage was established in the country at the end of the year, it is not considered to be a **living wage**. Factory management is open to making progress in this discussion.

A special emphasis was given to union rights, because the complaint about worker dismissal and anti-union action had reached us a few days before the audit was performed. An **independent investigation**, which we organized previously to clarify the facts, was fully integrated into the audit. The aim of this was to seek the solution to the problems raised in the investigation. The audit took place amidst a strike, and workers were invited to come into the factory and negotiate with management. With the **mediation** of our **appointed auditing company**, agreement was finally reached between management and workers leaders, and during the negotiations most of the demands of the workers were accepted.

The auditing company found three other aspects which needed improvement: the Union did not meet regularly; the company had not implemented a functioning workers participation / workplace coordinating committee; and the internal structure of the company did not allow for effective CSR compliance. We addressed all these issues with the supplier, who made immediate improvements and assured us that all issues would

be solved. As for the first two, the supplier assured us that regular meetings will now take place and records kept, the committee will be effectively implemented, and minutes of the meetings documented and posted on the bulletin board.

Regarding the third point, the internal organization of the Company made it impossible for the CSR compliance team to implement corrective measures in cases of irregularities with workers' rights in the production. The auditing company requested that the organization be rearranged to give compliance "*clear and distinct importance, making adherence compulsory for the production team, and reviewing it accordingly*". The supplier changed the organizational structure of the Compliance Department making this function centralized and vertical, and allowing for direct implementation and supervision.

Training on social standards and communication between management and workers. FWF has no presence in Myanmar and offers no Worker Education Programs (WEPs) in the factories. So we, amongst a group of brands

sourcing in the country, took the initiative to prepare trainings following the standards of FWF's, but performed by local experts. We cooperated in elaborating the presentations, gathering the relevant local laws, making information cards for the workers and commissioned an independent organisation to conduct the trainings. Two sessions were organized, one targeted to management and one especially for workers. The overall goal of these trainings was to make workers aware of their rights and to improve communication between the factory management and the workforce, to effectively foster workers' rights. The focus topics were social standards, rights and responsibilities, local law and communication. FWF proof-read the materials to ensure the accuracy of the data.

Setting up of a telephone helpline for worker complaints. An important goal of the WEPs is to enable the workers to effectively seek the protection of their rights. If they feel there is a problem which cannot be solved inside the factory, they can file complaints outside the factory, which are handled with the help of the sourcing brands. In the countries where the FWF is present they manage the system; in Myanmar this is not yet the case, so the brands who cooperated in the training also joined forces here: with the help of a local organization, we set up a complaints hotline with local personnel, and pay for all related expenses. There were no worker complaints in 2015.

3.3 MONITORING AND REMEDIATION

A DEEPER LOOK INTO OUR FACTORIES - ANALYSIS PER COUNTRY

CAMBODIA

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2015	Audits or follow-up of audits from the past three years
7218	0.79%	yes	yes	yes	yes	X

One of our partners has a factory in Cambodia, where 0,8% of our volume is produced. Our supplier is committed to implementing our Code of Conduct and Fair Wear Foundation's Code of Labour Practices. An audit where mainly **health and safety issues** were found, was followed up and most irregularities were solved immediately.

TAIWAN

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2015	Audits or follow-up of audits from the past three years
2997	0.12%	yes	yes	yes	no	X
7250	0.02%	yes	yes	yes	yes	

In Taiwan two factories produce together 0,1% of our volume. Both of them have committed to implementing our Code of Conduct. An audit was made in December 2015, and no issues of **forced labour, discrimination or child work, union rights, overtime or underpayment** were found. Most health and safety issues that were communicated to the factory were promptly solved, as the supplier began to apply corrective measures already in January. We will follow up of the few outstanding issues in 2016.

ETHIOPIA

Factory Code FWF System	Production share	Signed CoC	Factory disclosed all information requested	Worker Information Sheet is posted in the factory	Visited in 2015	Audits or follow-up of audits from the past three years
6257	0.44%	yes	yes	yes	yes	X

In 2015 we produced the first garments in Ethiopia. We work with only one factory and make a very small proportion of our volume - less than 0,5% - but we believe in the potential of this factory and plan to increase our cooperation with this supplier in the coming future.

During the audit we found no issues of **forced labour, discrimination or child work, union rights, overtime or underpayment**. Some issues of **health and safety** were found, and the supplier began to implement the necessary changes immediately.

We are looking into the possibility of making a pilot project in the factory, in cooperation with other FWF members. It would combine trainings on workers' rights and dialogue



mechanisms, with trainings to transfer technical know-how and increase productivity efficiency.

3.4 TRAININGS ON WORKERS' RIGHTS

An important part of monitoring is identifying factories where the awareness of workers' rights and complaints mechanisms is low. This usually comes up during an audit, or is likely to happen in countries with "high-risk" issues (as identified by FWF). To tackle this, and work at prevention and capacity building, we **organized worker and management education trainings in 7 factories**. 6 of them were in countries where FWF offers the programme, where we managed to cover nearly

45% of our volume. And one was done in Myanmar, where there was no presence of FWF and we organized it in cooperation with other brands sourcing in the country. More information can be found under the analysis per country.

Trainings are **also crucial at home**, so we organized sessions for our **local staff in Europe** and also in **Asia**, including the management and our quality team.



3.5 COMPLAINTS HANDLING

Each of our factories must post the Code of Labour Practices of the Fair Wear Foundation in a visible place in the factory and in the local language of the workers. Their rights are explained and workers may write an email to a given address for issuing complaints or denouncing irregularities in the factory. They reach the FWF and are then notified to our CSR staff, who makes follow-up with the supplier until it is solved to the satisfaction of all those involved. The Fair Wear Foundation then publishes a report on its website, under **www.fairwear.org/506/resources/complaints** with the name of the member (brand) involved.

In 2015 we received one complaint regarding union rights in Myanmar, which has not yet been resolved. We are constantly communicating and cooperating with all stakeholders in the negotiations and hope the issue to be closed within 2016. Once this is done, FWF will make an official communication on their website.



4. | REPORTING

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

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

Careful planning and serious commitment are essential to making progress in the implementation of social standards in the factories. Regular meetings with our working teams in the divisions, and the results of FWF's evaluation through the yearly "Brand Performance Checks" are discussed with the General Managers and the CEO of the Company. Outside the company, it is essential to highlight the importance of this issue to our customers and dealers. The sales representatives and managers of both brands SALEWA and DYNAFIT are duly informed of the progress in our work with human rights in the supply chain through regular reports in staff meetings.

We keep the public informed about our CSR activities through the brand websites of SALEWA (www.salewa.com) and DYNAFIT (www.DYNAFIT.com), which are updated regularly. A yearly balance of our efforts and progress in the implementation of our social standards is published through this Social Report and also through the Brand Performance Check. This is a yearly evaluation conducted by FWF to assess members' efforts and results in the pursuit to improving workers' conditions.

In 2015 our overall score was as follows:

Category	Points earned	Possible points
Purchasing Practices	24	40
Monitoring and Remediation	28	35
Complaints Handling	11	15
Training and Capacity Building	10	15
Information Management	4	7
Transparency	4	4
Evaluation	6	6
Totals	87	122
Benchmark points	71%	

With 71 points and 87% of our factories monitored, we were congratulated by FWF on our performance during the year and classified as "good". But we were also told where we need to work harder. In order to further improve in 2016, two are the areas where we need to concentrate on: first, (purchasing practices and monitoring) in keeping a tighter control on our suppliers to prevent subcontracting to factories which are not previously approved by us. Even though we work with long-term and trusted partners and we took every care to prevent this from happening, in 2015 we were not able to completely. And second (remediation), in deepening our work in issues of overtime and living wages. We are dedicated to making these improvements and will update you about our progress on the next Social Report.

Both the Report and the Brand Performance Check available on our websites and on **FWF's**.

A look into the wider progress we make every two years is published in our Company CSR Report. Our 2015 issue highlights the way in which each one of our divisions has been able to "Contribute" to making this commitment a reality.

For more information on our Corporate Social Responsibility policy and projects see the websites of SALEWA and DYNAFIT.

