

Social Report 2016

January to December 2016



www.sprayway.com



www.mountain-equipment.co.uk



www.ronhill.com



www.hillyclothing.co.uk

Start date membership July 2012



Contents

Contents	2
Summary: goals & achievements 2016	3
1. Sourcing strategy	4
1.1 Sourcing strategy & pricing	4
1.2 Organisation of the sourcing department	4
1.3 Production cycle	4
1.4 Supplier relations	5
1.5 Integration monitoring activities and sourcing decisions	5
2. Coherent system for monitoring and remediation	6
2.1 China	6
2.2 Indonesia	6
2.3 Hungary/Ukraine	7
2.6 External production	7
3. Complaints handling	8
4. Training and capacity building	8
4.1 Activities to inform staff members	8
4.2 Activities to inform agents	8
4.3 Activities to inform manufacturers and workers	9
5. Information Management	9
6. Transparency & Communication	9
7. Stakeholder Engagement	10
8. Corporate Social Responsibility	10



Summary: goals & achievements 2016

2016 saw OSC Ltd complete four years affiliation to Fair Wear Foundation (FWF). We are proud to say that at the end of the four year period that we have audited over 90% of our suppliers in monitoring terms and were granted FWF Leader status. In 2016 we audited nine factories, of which two were joint audits with other affiliated brands. Following each audit we completed the Corrective Action Plan (CAP) and have made improvements for the staff in the factories we work with.

During 2016, FWF also carried out two verification audits, these are audits that FWF do in factories where we have previously audited and the verification audits are to judge our progress and how we work with the suppliers with regard to improving the working conditions.

In 2016 FWF also carried out Workplace Education Programme (WEP) in three of our factories. The factories concerned reported back that both management and workers found it very informative and very worthwhile and would be happy to have follow-up training in the future.

In 2016 there were two workers complaints received from two different factories. One has been resolved through a government tribunal which was instigated by the worker and the other is ongoing.

In September 2016 we had our fourth FWF benchmarking/Brand Performance check and scored 93% mark, which moved us into Leader status. We will strive to continue to be in Leader status in 2017.

In 2016 as part of our broader sustainable strategy we obtained signed REACH (SVHC's) declaration from 95% of our supply base. We are continuing the dialogue with the other 5%.

Hamish Dunn, Managing Director commented on the relevance of improving labour conditions and working with FWF.

"After nearly 5 years of partnering with FWF we are proud to have achieved Leader Status in 2016, this positions us as one of the leading companies in our market in respect of worker welfare in our supply chain. The FWF code of labour practice is now embedded within our business and is helping us improve the working conditions in all our current factories. It is also changing the way we select new suppliers to work with to ensure they are ethically compliant."

1. Sourcing strategy

1.1 Sourcing strategy & pricing

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

We source approximately 90% of products from Asia and 10% of products from other countries including: Hungary, Ukraine, Portugal, Northern Ireland and South Africa. We buy GORE-TEX® garments from Hungary and Ukraine and socks from Portugal, Northern Ireland and South Africa.

We are very active in our search for suppliers/factories in Vietnam, Cambodia, and Myanmar and we expect to buy approximately 20% of our requirement from these countries within the next two to three years. We are very conscious of the reputation of ethical issues in these countries; so we are looking for factories that are owned by overseas companies, who currently or previously produced in China and therefore have the history and experience of complying to and respecting human rights and will work with us to improve the conditions and wage levels for all workers.

It is the responsibility of the Sourcing/Buying Directors to find and recommend new suppliers.

When choosing a new supplier we look for a company profile to see if they specialise in manufacturing our specific products and look to see which other brands they manufacture for and whether they are members of FWF or equivalent. We would carry out a pricing programme with the factory to establish whether they are competitive and able to manufacture to the required quality.

Once we have identified a possible new supplier we would send out a sourcing pack which includes a Health and Safety questionnaire, an audit questionnaire based on the eight key code of labour practices advocated by the Fairwear foundation. We will then visit the factory to review the facility, discuss the audit response, the potential capacity available and any financial issues. We have detailed discussions to see if both parties can work together. It is also important to us that we choose factories that we consider suitable to work with on long term basis.

We visit most of our suppliers once a year. Our biggest suppliers are visited two times per year. Our average business relationship with our suppliers is over 5 years.

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

1.2 Organisation of the sourcing department

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

1.3 Production cycle

We have two production cycles per year, Spring/Summer and Autumn/Winter. Each brand has its own internal design team who design every item we market. The design teams work approximately 12 to 18 months in advance and design the range to an agreed Range Plan and salesman samples are provided by the factories in time for sales launches. Spring/Summer season sales launches take place in May. Autumn/Winter season sales launches take place in November.

Following Sales Launch for each season road shows, trade fairs and individual presentations take place to present the range to our customers and customers are given information relating to cut off dates for buying meetings and product delivery dates.

OSC buying departments forecast fabric requirement to our nominated suppliers and also forecast our garment requirement to our manufactures. The manufacturers are aware of our nominated fabric sources.

We place confirmed orders to the factories to agree lead times of around four to five months.

1.4 Supplier relations

In 2016 we commenced working with three new factories based on our sourcing criteria which is; quality, price, capacity availability, communication, factory ownership, location and Corporate Social Responsibility (CSR). At the same time we terminated four suppliers in an effort to consolidate our supply base. Sourcing and buying directors communicate this to the factories concerned.

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

Price; We have to be confident that the level of the quotations given will be sustainable over the long term.

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

Communication; It is essential that the factory have merchandisers and management who can communicate in English, and will communicate with us properly and effectively.

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

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

CSR; It is very important to us that the factory conforms to our ethical guidelines and that the workers are treated well and have a good working environment.

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

1.5 Integration monitoring activities and sourcing decisions

The buying teams monitor all orders given to every factory, timeliness of deliveries and any quality issues are recorded.

The sourcing team or buying team visit our strategic factories at least once per year and sometimes twice per year. At these meetings we follow a set agenda which includes; on time shipments for the previous season, quality issues, communication and fabric supplies. We also allocate time to discuss Health and Safety in the factory along with the FWF CAP report with special emphasis on working hours and payment of the living wage.

We discuss pricing level for the following seasons, new orders placed for the next season and try to resolve any issues that may have caused delays in the past to help improve the service going forward.

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



to longer lead time between order placement and expected shipment date so that the factory can take better care of quality and also avoid excessive overtime.

We introduce FWF to any potential new supplier, outline to them why we are affiliated to FWF and explain to them our aim to improve the conditions for the workers in our supply chain. If we do not think that they will be able to comply with FWF standards then we will not work with them.

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

2. Coherent system for monitoring and remediation

In total, OSC worked with forty two factories in 2016.

2.1 China

The majority of our factories are still in China, although it is becoming increasingly difficult to work with factories in this country. Despite the shortage of workers, the strengthening of the RMB and the big increase in salaries they remain competitive due to productivity levels, the high quality of production and the conditions for workers which have improved greatly over the last few years.

We have audited most of our Chinese factories since joining FWF. Once we have received the CAP from the FWF audit team, we insert our comments on the spreadsheet and forward to the factory to implement the necessary improvements within the timeline outlined by the audit team. In the main the initial factory comments on the CAP will agree to implement the recommendations made by the FWF audit team. We then follow up with visits to the factories and go through the CAP line by line with factory owners/manager. The majority of our factories in China are visited by our Buying and Sourcing teams at least once per year and in the case of our strategic suppliers, twice per year. CAP reports are updated twice a year even if there isn't an actual visit.

The most common issues raised are working hours and salary level. FWF has a target for all workers to be paid the living wage, but as a minimum for all workers to be paid more than the minimum wage. We have found that in all our audits, the workers in our factories are paid more than the minimum wage, but less than the living wage. In 2016 the average wage increase for the workers in our manufacturers was 10%.

Health and safety issues are also a large factor of the audits and to-date the factories have addressed any serious issues raised immediately once the issues have been brought to their attention. We work with four Chinese factories where other FWF affiliates source their garments, in these cases we have worked together with the factories on the CAP. We had one complaint from a worker in China, which was addressed by our CSR manager. The workers complaint was about wrongful dismissal. She took her case to the local industrial tribunal. Unfortunately the tribunal saw in favor of the factory so she lost her case. OSC were unable to help in this case and the complaint was closed by FWF.

2.2 Indonesia

In Indonesia we only work with one factory, who we have worked with for seven years. They were audited in 2015 and the results of the audit was very positive. It is a key supplier to our Ronhill brand.

OSC represents 3% of their total turnover in 2016. The Ronhill buyer visits this factory once per year. The Code of Labour Practice (CoLP) information board is clearly visible on their notice board.

All the workers live locally and the staff turnover is very low. In 2016 a member of the FWF global team visited the factory on more than one occasion as part of the FWF initiative to set up an office in Indonesia.

2.3 Hungary/Ukraine

OSC buys from one manufacturer who has factories in these countries. OSC represents approximately 50% of the business of this supplier. The factory in Ukraine was audited in early 2013 and again in 2015 as part of a FWF verification audit and the CAP forms part of an ongoing discussion of improvements.

There are minimum wage, average wage and best practice wage levels in Hungary and Ukraine. These factories pay above the minimum and average wage levels and below the best practice level. These factories do not work any overtime. These factories are visited once a year by our product team and during this visit the CAP was discussed.

2.4 Vietnam

We are currently working with two factories/suppliers in Vietnam. One is Taiwanese owned and one is Korean owned. Both Factories were audited by FWF in 2016.

We had one worker complaint in the Korean owned factory in November, 2016 which has yet to be resolved as the worker has moved address and changed her mobile phone number, so cannot be contacted, but our supplier advises us that she has been paid the outstanding money.

We are actively looking at one possible new supplier in Vietnam who is a Taiwanese owned factory that also have manufacturing units in China and Cambodia.

2.5 General; Excessive Overtime and the Living Wage

Excessive overtime and the living wage are the two issues that have arisen most in the factory audits and are FWF main focus. Whereas we believe all our factories are paying above the minimum wage and we are encouraging them to increase step by step towards the living wage. We also are aware that in peak season there is pressure on the factories to work above the 60 hour guidelines.

In 2016 we commenced an analysis on these two issues. We have concentrated on our top twelve suppliers, who supply 76% of our product. We are asking our suppliers to increase the wage level every year by more than the rate of inflation, so that they gradually get closer to paying The Living Wage. We have also made progress with regard to excessive overtime and now very few of our suppliers work more than 60 hours per week, but it can be an issue at peak season.

2.6 External production

Oboz

This is a shoe brand from USA. Their shoes are produced in one factory in Vietnam. We have a photo of the FWF CoLP information board erected in their factory. We also have copies of two independent audits dated 2016 carried out at their factory. .

Zempire

This is a brand of high quality family tents produced in China. We have a photo of the FWF CoLP information board erected in their factory. This factory has been audit by FWF on behalf of another Brand who manages the CAP. It is register on the FWF database under factory 3001

3. Complaints handling

We received two complaints in 2016, one in China which has been closed and the other in Vietnam which up to the end of 2016 was still ongoing.

We have insured that the Fair Wear Foundation information board on The Code of Labour Practice is erected in a very prominent place in all our suppliers' factories. We have asked the factory owners to make sure the information board is brought to the attention of all workers and have made sure that that the phone number of the local FWF complaint handler is clearly displayed on every information board. On our instruction every workers are also given an A4 copy of the CoLP.

OSC are committed to address any complaint in a timely manner and in accordance with the FWF complaints procedure. It is our intention to resolve any dispute to the satisfaction of the person making the complaint.

4. Training and capacity building

4.1 Activities to inform staff members

Each brand has a monthly brand meeting and FWF is a permanent item on the agenda. We also have monthly management meetings and FWF is also a permanent item on the agenda for this meeting.

Brian Connolly gives a monthly up-date to the meeting. We have our affiliation posted on our relevant brand web sites and product catalogues.

Every quarter we hold a general staff meeting. Once per year at one of these meetings our Sourcing/CSR Director Brian Connolly gives a FWF presentation to our entire workforce.

Additionally each brand holds two sales launches per year, where new ranges are presented to our worldwide sales force and at one of these there has also been a FWF presentation

4.2 Activities to inform agents

It is our policy not to work with agents/intermediaries wherever possible.

We have our own office in China. It is managed by a Hong Kong national who has worked with us for sixteen years. He also has one merchandiser and three full time quality control (QC) people working for him. Through this office we manage the quality that our suppliers produce. Gary Chow the manager attended an FWF audit as an observer and has also attended meetings in factories along with our Sourcing and Buying Directors where FWF presentations have been made to the suppliers and corrective action plans have been discussed. The QC team carries out a work place questionnaire every six months.

4.3 Activities to inform manufacturers and workers

The CoLP information sheet is erected in the factories of all our suppliers. We have received and have on file a photograph from each supplier of the board in place. Every supplier has completed the questionnaire, signed and returned it to us. Again all of these are on file.

We have encouraged all suppliers to inform all their workers, at a general meeting, about FWF and to ask the workers to read the CoLP information sheet. To help raise the level of awareness of the FWF code of labour practices we asked all the factories to hand an A4 copy of the CoLP to every worker. In turn every factory agreed to comply with our request.

We have now had the Workplace Education Programme training in twelve of our factories. The owners and management of these factories have reported that both management and workers found the training to be very productive and they feel it will help them to improve communication between management and workers in the future. We also send the training report to the factory for feedback.

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

5. Information Management

We regularly visit our suppliers. At every meeting the CAP, which is a review of the audits, is included on the agenda. The CAP is up-dated and we ask the factory management to address the main issues within the given period of time.

In addition we have implemented a system to update the CAP every six months for any factory that are not visited. This means that every supplier CAP is updated at least twice per year.

We do not allow our product to be made in subcontracted factories. However we are aware that approximately 25% of our suppliers use subcontractors for embroidery and / or printing and we have images of the CoLP in these units.

6. Transparency & Communication

All our brands state on their websites that they are members of FWF. We also include the FWF logo in our brand catalogues which is typically two catalogues per year per brand. As OSC has the leader status by FWF, our garments will include the FWF logo on their hang tags from autumn 2017.

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

This is our fifth Social Report, which will be posted on our web site.

7. Stakeholder Engagement

OSC have not engaged in stakeholder groups in 2016. We make use of the resource on the FWF web site to inform us of country updates. We have made use of this information especially in the case of Myanmar.

8. Corporate Social Responsibility

Down Codex

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

'Twenty Things to Do'

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

John Muir Trust

A charity supported by Mountain Equipment with an annual corporate membership subscription. The John Muir Trust is a leading UK charity dedicated to the protection of wild land for both nature and people. Inspired by the work, spirit and legacy of John Muir. www.jmt.org

European Outdoor Conservation Association (EOCA)

A charity supported by Mountain Equipment with an annual corporate membership subscription. EOCA's Mission is to support valuable conservation work by raising funds from within the European Outdoor sector and promoting care and respect for wild places. www.outdoorconservation.eu

Community Action Nepal (CAN)

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

Plas y Brenin – The National Mountain Centre

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

Sport Scotland Avalanche Information Service (SAIS).

A not-for-profit organisation; supported by Mountain Equipment with annual large-scale supply of equipment. SAIS is funded by the Scottish Sports Council to publish daily forecasts of the avalanche, snow, and climbing conditions at 5 key climbing areas of Scotland during the season. www.sais.gov.uk

British Mountaineering Council (BMC)

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

**Team Ronhill**

Sponsorship program of individual athletes and selected clubs. Working together to create development opportunities for aspiring young athletes to take part in races and training academies alongside supplying kit requirements.

Dartmoor National Park

Dartmoor covers an area of 368 square miles and is the largest and wildest area of open country in southern England and includes moorland, steep-sided river valleys and ancient woodlands. Dartmoor National Park has been working with Sprayway since 2011 to provide kit for their Rangers and others members of staff.

Britain on Foot

A national incentive; Britain on Foot™ (BOF) has one clear objective, to encourage more people in Great Britain to get active outdoors. It's all about getting fitter, healthier and happier. Sprayway are a founding partner of the initiative and run activities under the BOF banner. We also include the BOF logo on all of our swing tickets.

Kevin Offer
March 2017