



SOCIAL REPORT 2016 / 17

ORTOVOX



PREFACE

Dear ORTOVOX partners and friends,

In our team of employees, suppliers and partners, we have once again managed in the 2016/2017 season to have a positive influence on the mountain experiences of our customers. Our attention is always focused on more than just economic success. We feel successful only when every single person that contributed to this success can look back on their work and feel good about it.

Our membership of the Fair Wear Foundation emphasizes our focus upon this feeling and, therefore, also our focus upon people; this has shaped ORTOVOX's actions since the very beginning. Currently, it is our growth that is posing the greatest task. It's not just about purely economic growth. For us, it's about what added value we were and will be able to create as we grow. New employees, new products, new suppliers, new routes – all of these factors must also be approached in the perspective of sustainable action and then communicated transparently. Even if it isn't always easy, we do all we can to continuously improve transparency.

Our relationships with our suppliers are already very close. We want to further intensify these relationships and document them even more effectively. We maintain close ties to our wool farms. We want to continue strengthening these and make them even more visible. As such, we will be continuously increasing our focus upon sustainable farming. We want to fulfill our social responsibility towards people, animals and the environment. ORTOVOX's core value, **PROTECTION**, is also our highest priority when it comes to sustainability, and we regard our second Social Report as a further step in the direction of success.

Yours,
Christian Schneidermeier, CEO



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SUMMARY

ONE MINUTE VERSION

ORTOVOX and its products provide the best possible protection for alpine activities. Alongside rescue products such as avalanche transceivers, avalanche shovels and avalanche probes, the range also includes a varied mountainwear clothing line that has been using the sustainable and highly functional raw material that is wool since 1988. ORTOVOX has been a member of the Fair Wear Foundation since July 2015. The company has a total of 41 suppliers. Well over half of its textile products (61.06% as measured in terms of FOB) are manufactured in Europe. This strong focus on Europe is important to ORTOVOX. In the last financial year (July 1, 2016 – June 30, 2017) one of our mountainwear manufacturers from Vietnam was audited, with good results. 99.6% of the production volume thus now comes from "non-risk" countries or from audited factories.

ABOUT ORTOVOX

ORTOVOX PROTECTS

Since ORTOVOX was founded in 1980, it has been the Bavarian company's mission to provide top-quality protection for alpine pursuits. From its very beginnings, ORTOVOX has played a key role in the development of alpine emergency equipment. Its goal is to make mountain sport safe, thus saving lives.

In 1988, ORTOVOX added mountaineering clothing made from sheep's wool to its product range. Since then, its core competence has been the combination of this natural material with other innovative fibers and materials in every layer of the clothing system. ORTOVOX strives to produce highly functional products offering the best possible protection and maximum comfort. Its target group is made up of those who participate in the mountain sports of ski touring, freetouring, freeriding, climbing, alpine touring and mountaineering.

ORTOVOX sees itself as a premium brand for both summer and winter activities. Its passion for untouched powder snow on ski tours shapes the brand just as much as shared experiences when alpine climbing, on alpine tours or mountain hikes. Friendship is one of the company's core values – within the team, with customers, business partners and suppliers.

ORTOVOX Sportartikel GmbH is part of Schwanhäusser Industrie Holding GmbH & Co. KG. Its headquarters is in Taufkirchen (south of Munich), where a total of 57 employees work (as of 2017).

MILESTONES SUSTAINABILITY



1980: ORTOVOX – THE VOICE OF THE MOUNTAINS

Since the company was founded in 1980 in the south of Munich, ORTOVOX has stood for a sophisticated protection and comfort system for mountain activities. As pioneers in the avalanche safety field, we have played a key role in the development of emergency equipment for mountain sports. In its year of founding, ORTOVOX laid the cornerstone for its success with the ORTOVOX F2: The F2 was the first avalanche transceiver for searching for avalanche victims that could transmit and receive on two frequencies. Since the very beginning, the company and its products have been characterized by their **RESPONSIBLE TREATMENT** of people and nature.



1988: ALWAYS WOOL

Since 1988, ORTOVOX has been using sheep's wool in all its mountain sports clothing. Thanks to their high moisture absorbency, wool fibers are particularly suited for mountain sports, because they warm you even when wet and thus offer high safety reserves in borderline situations.



1995: MERINO WOOL

The first functional underwear made from merino wool is introduced: shirts, pants and polo necks for alpine skiing, ski tours and mountain hikes, which render frequent changing of clothing unnecessary. Thanks to their thin fiber diameter, they offer excellent wear comfort.



2011: SWISSWOOL

As part of its mountainwear range, ORTOVOX develops **SWISSWOOL**, a completely new category of wool insulation product. It receives the ISPO Award for its functionality, design and sustainability concept. Warming Swiss wool is stitched into insulation chambers inside the jacket. The material mix of nylon and wool makes this product, which is manufactured completely in Europe, a highly functional layer. When using fine Swiss virgin wool, particular attention is paid to sustainable production and regional origin.



2015: ORTOVOX JOINS THE PARTNERSHIP FOR SUSTAINABLE TEXTILES

Since 2014, the **PARTNERSHIP FOR SUSTAINABLE TEXTILES** has fought for the **IMPROVEMENT** of social, economic and ecological conditions throughout the **SUPPLY CHAIN** in the textile and clothing sector. Through our membership, we at ORTOVOX wish to create greater transparency for our customers, set clear targets for sustainable business activity, and place greater emphasis on this topic both within our industry and also throughout the whole of society. In this regard we are active both on a European and a global level.



2015: JOINING THE FAIR WEAR FOUNDATION

Since July 2015, we have been a member of the FAIR WEAR FOUNDATION (FWF). The Fair Wear Foundation is an **INDEPENDENT NON-PROFIT ORGANIZATION** that is cooperatively led by retailer organizations and representatives from the textile industry, trade associations and non-government organizations with the **AIM** of **IMPROVING WORKING CONDITIONS** in the **TEXTILE INDUSTRY WORLDWIDE**.

To do that, the foundation has defined the following working guidelines, which are implemented in the ORTOVOX factories:

- 1 FREE CHOICE OF WORK
- 2 NO DISCRIMINATION AT THE WORKPLACE
- 3 NO EXPLOITATION OF CHILD LABOR
- 4 FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE ACTIONS
- 5 PAYMENT OF A LIVING WAGE
- 6 REASONABLE WORKING HOURS
- 7 SAFE AND HEALTHY WORKING CONDITIONS
- 8 A LEGALLY BINDING EMPLOYMENT CONTRACT



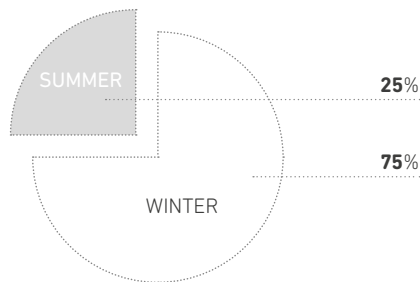
2016: JOINING EOCA

Since summer 2016, ORTOVOX has been a member of the European Outdoor Conservation Association (EOCA), which promotes environmental protection worldwide. The group of companies from the European outdoor industry has been collecting donations for charitable projects since it was founded in 2006. These projects are not tied to geographical locations: From creating an environmental route in Nepal and waste disposal projects in Kyrgyzstan to protecting brown bears in Spain and protecting peat bogs in Ireland, the EOCA supports projects across the entire world.



2017/2018: ORTOVOX WOOL PROMISE

CONFIDENCE and **WELL-BEING** are also at the forefront of the **ORTOVOX WOOL PROMISE**. The **OWP** wool standard is the manifestation of animal protection at ORTOVOX, and focuses upon **ANIMAL WELFARE, FARM** and **LAND MANAGEMENT** as well as slaughter and transport. More than 60 indicators are checked annually on the farms by a certified, independent auditor. A certified **TRACEABILITY** system guarantees that only the wool from our six selected farms ends up in ORTOVOX products. In addition to the existing Wool Policy, the wool in the 2018 summer products will be completely traceable thanks to our OWP.



ORTOVOX produces two collections per year – one in winter and one in summer. The winter collection makes up the larger portion, at 75%, whilst the summer products account for the remaining 25%.

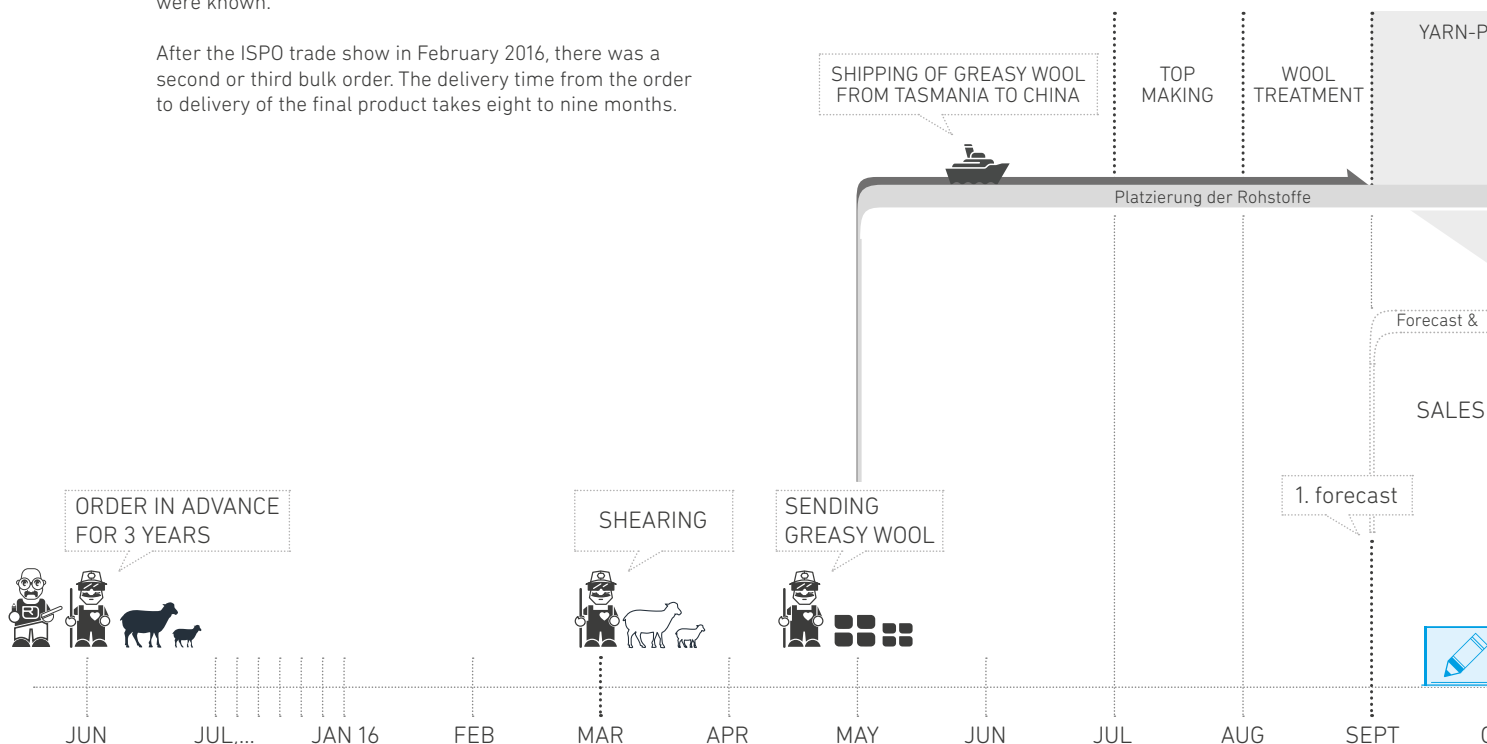
EXAMPLE FROM THE 2017/2018 WINTER COLLECTION: PRODUCT CYCLE

ORTOVOX has a forward-looking perspective when it comes to appropriately scheduling the necessary wool orders (e.g. from Tasmania). The planning process took place three years in advance, so the raw materials for 2018 wool tops had to be ordered no later than in March 2015. Due to the long delivery times for the exclusive materials that ORTOVOX uses, sales forecasting started in August 2015. The figures were then communicated to the material suppliers and clothing manufacturers in September 2015. The order for the raw materials was placed with the material suppliers based on these quantities.

The next forecast, including the color breakdown, was drawn up after the sales meeting in October 2015. This information was then sent to the suppliers.

The very first orders were placed even before the sales meeting, but by far the larger part took place in November/December 2015 as an initial bulk order once the forecasts were known.

After the ISPO trade show in February 2016, there was a second or third bulk order. The delivery time from the order to delivery of the final product takes eight to nine months.





DURATION OF BUSINESS RELATIONSHIP	NUMBER OF SUPPLIERS	%
<1	9	21
1 – 5	20	49
6 – 10	11	27
> 11	1	3

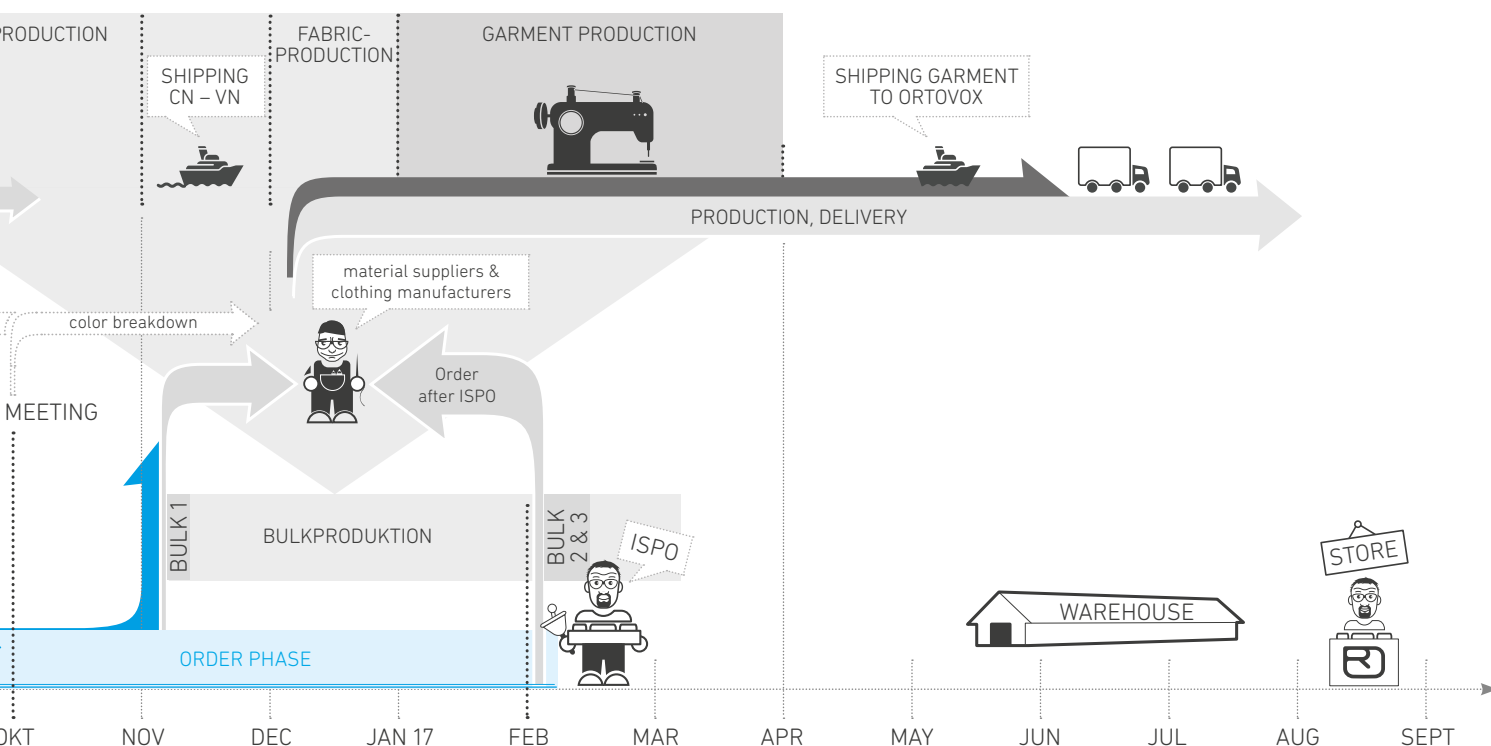
PURCHASING STRATEGY

Friendship shapes every interaction at the company – within the team, towards customers, business partners and suppliers, out on the mountain and in day-to-day life. In particular, this philosophy characterizes the relationship between ORTOVOX and its suppliers. 27% of them have been business partners for five years or longer.

ORTOVOX uses high-quality materials, most of which it develops itself and produces exclusively for its own products. In keeping with this, it needs to ensure that the materials are handled with care and professionalism.

This only reinforces the need for stable supplier relationships. Frequently changing suppliers is not an option for ORTOVOX.

The company is growing fast (in the mountainwear segment, more than 30% per year on average over the last three years), and new suppliers are therefore always being sought. Production is concentrated on Europe and Vietnam, but there are also production sites in China, New Zealand, Ukraine and Belarus. ORTOVOX endeavors to produce a substantial amount (currently more than 60%) in Europe (including Ukraine and Belarus).



GERMANY

1,8 %

LITHUANIA

13,4 %

AUSTRIA

0,4 %

HUNGARY

14,6 %

ITALY

0,6 %

THE CHALLENGE OF GROWTH



NEW SUPPLIERS, OPTIMIZED PROCESSES AND HIGH QUALITY STANDARDS: ORTOVOX'S STRONG GROWTH PRESENTS NEW CHALLENGES – FOR THE COMPANY AND FOR PRODUCTION.

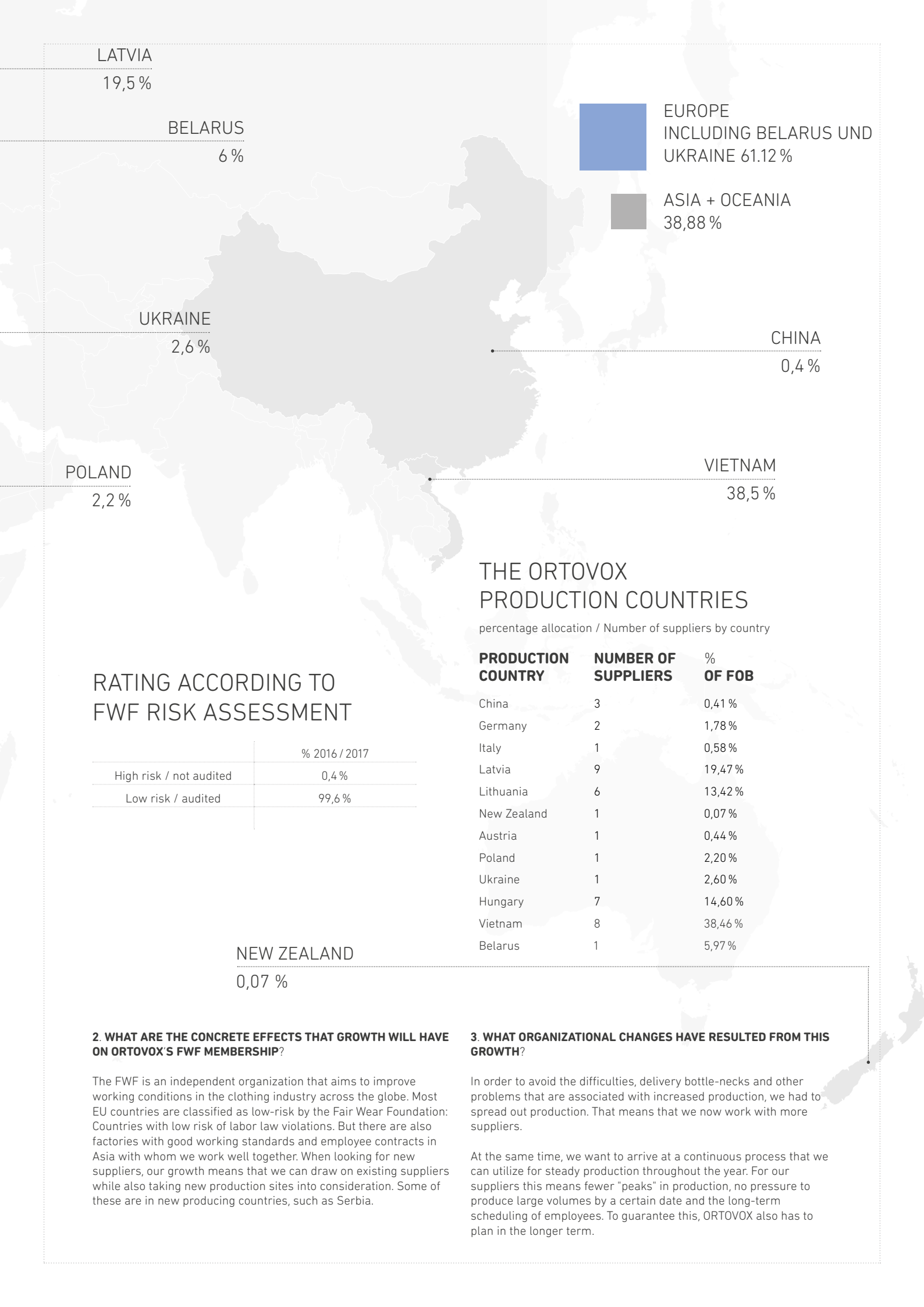
THREE QUESTIONS FOR STEFAN KRAUSE, HEAD OF PRODUCT AT ORTOVOX

1. AS THE HEAD OF PRODUCT, WHERE DO YOU SEE THE GREATEST CHALLENGES FOR PRODUCTION?

In the past few years, ORTOVOX has grown strongly. There was a very successful development in the clothing sector. However, this positive growth could also be seen in the backpack and avalanche safety segments. This rapid growth reiterates that we are on the right path with our innovations and products, but at the same time also presents us with new challenges. We have to make the best use of the capacity of our existing suppliers while simultaneously searching for new suppliers that meet our standards. Striking a balance between increased supply capability and fulfilling our work

and quality standards, as well as those of the Fair Wear Foundation, is presenting us with new challenges.

As ever, our focus is on Europe when selecting our suppliers and production sites. This production emphasis means easy coordination and increased flexibility. When developing complex materials, we try to be at the production site as often as possible. Within Europe, physical proximity to suppliers is easier and communication channels are more open. This also has a positive effect on quality. That's why finding the right suppliers is extremely important.



LATVIA
19,5 %

BELARUS
6 %

UKRAINE
2,6 %

EUROPE
INCLUDING BELARUS UND
UKRAINE 61.12 %

ASIA + OCEANIA
38,88 %

CHINA
0,4 %

POLAND
2,2 %

VIETNAM
38,5 %

THE ORTOVOX PRODUCTION COUNTRIES

percentage allocation / Number of suppliers by country

PRODUCTION COUNTRY	NUMBER OF SUPPLIERS	% OF FOB
China	3	0,41 %
Germany	2	1,78 %
Italy	1	0,58 %
Latvia	9	19,47 %
Lithuania	6	13,42 %
New Zealand	1	0,07 %
Austria	1	0,44 %
Poland	1	2,20 %
Ukraine	1	2,60 %
Hungary	7	14,60 %
Vietnam	8	38,46 %
Belarus	1	5,97 %

RATING ACCORDING TO FWF RISK ASSESSMENT

	% 2016 / 2017
High risk / not audited	0,4 %
Low risk / audited	99,6 %

NEW ZEALAND
0,07 %

2. WHAT ARE THE CONCRETE EFFECTS THAT GROWTH WILL HAVE ON ORTOVOX'S FWF MEMBERSHIP?

The FWF is an independent organization that aims to improve working conditions in the clothing industry across the globe. Most EU countries are classified as low-risk by the Fair Wear Foundation: Countries with low risk of labor law violations. But there are also factories with good working standards and employee contracts in Asia with whom we work well together. When looking for new suppliers, our growth means that we can draw on existing suppliers while also taking new production sites into consideration. Some of these are in new producing countries, such as Serbia.

3. WHAT ORGANIZATIONAL CHANGES HAVE RESULTED FROM THIS GROWTH?

In order to avoid the difficulties, delivery bottle-necks and other problems that are associated with increased production, we had to spread out production. That means that we now work with more suppliers.

At the same time, we want to arrive at a continuous process that we can utilize for steady production throughout the year. For our suppliers this means fewer "peaks" in production, no pressure to produce large volumes by a certain date and the long-term scheduling of employees. To guarantee this, ORTOVOX also has to plan in the longer term.

MONITORING 2016 / 2017

The 2016/2017 business year was ORTOVOX's second year as a member of the Fair Wear Foundation. To give a better overview of the activities of the factories and producing countries, the focus was placed upon regular and intensive communication with suppliers in addition to the existing monitoring system.

THE ORTOVOX MONITORING SYSTEM IS BASED UPON THE FOLLOWING THREE PILLARS:

1.

TRANSPARENCY

Transparency is the foundation of the sustainability program. Disclosure is provided regarding where the products are manufactured and what the on-site working conditions are like. A further foundation for the monitoring system is formed by logging all factories, performing factory audits and evaluating existing audit reports. Many suppliers also produce for other FWF members. Some of these suppliers have already been audited in line with FWF specifications on behalf of other companies and are then also supervised by other members in the follow-up to the audit. ORTOVOX is in continuous contact with these companies. To avoid duplicate audits of factories, ORTOVOX also recognizes other programs alongside the official audits of the Fair Wear Foundation, provided they satisfy its own quality standards. It was in this way that ORTOVOX managed to ensure that 99.6% of its production volume in the 2016/2017 business year was from audited factories and/or low-risk countries in Europe – in just the second year of membership.

2.

TRAINING/CAPACITY BUILDING

On the basis of their visit to the factories, the auditors draw up a corrective action plan (CAP) setting out all infringements of the FWF guidelines and necessary improvement measures for the factory. As a follow-up, the CSR manager works together with the factory to address all the points for which specific and measurable improvements can be achieved. However, audits are only one way of achieving better working conditions. Training is also essential as an additional capacity building tool, as only by gaining a better understanding can lasting improvements be made possible. Training ORTOVOX employees, along with suppliers, improves their understanding of CSR and the necessary steps and tools for process optimization. ORTOVOX uses the expertise (e.g. country studies, training courses) and network of the Fair Wear Foundation for this.

3.

REPORTING & VERIFICATION

As part of its membership of the Fair Wear Foundation, ORTOVOX is obligated to produce a social report once a year, which is presented here. The reporting period corresponds with the last business year. The Fair Wear Foundation carries out a "brand performance check" once a year, in which the internal processes of the company and its understanding of relevant CSR topics are put to the test. By doing so, the FWF verifies or reviews the company's contribution to better working conditions. This report is published on the website www.fairwear.org and can also be found on ortovox.com. The next brand performance check will be carried out in January 2018.

AUDITS 2016 / 2017



In the last business year, ORTOVOX arranged an audit at one of its mountainwear manufacturers in Vietnam (DB ID: 10081). ORTOVOX has been working with this supplier since 2015.

The FWF audit team did not identify any infringements with regard to forced labor, child labor, statutory minimum wage, freedom of association or mandatory working conditions. The supplier is highly cooperative and committed. Shortcomings were identified in workplace safety and communication management vis-à-vis employees. These shortcomings have already been addressed by way of various training sessions. The audit also revealed that too much overtime is being worked during the high season. Here too, improvements have already been made, for example by adjusting work schedules to avoid long overtime hours.

EVALUATION BY COUNTRY AND FACTORY*

The following overview shows the results of FWF audits conducted in high-risk countries. The audits were and are commissioned and supervised also by other members of the Fair Wear Foundation:

COUNTRY	DB#	1. Employment is freely chosen	2. Freedom of association	3. No discrimination	4. No child labour	5. Living wage	6. No excessive working hours	7. Safe working conditions	8. Legal binding employment contracts	
Belarus	3012	●	●	●	●	●	●	●	●	
China	5839	●	●	●	●	●	●	●	●	
Vietnam	3268	●	●	●	●	●	●	●	●	
Vietnam	8499	●	●	●	●	●	●	●	●	
Vietnam	6027	●	●	●	●	●	●	●	●	
Vietnam	2442	●	●	●	●	●	●	●	●	
Vietnam	5468	●	●	●	●	●	●	●	●	
		●	Minor non-compliance found and quickly resolved, or no problem found.							
		●	Major non-compliance found and quickly resolved. No recurrence and/or CAP in progress.							
		●	Major or critical non-compliance found. Recurring problems.							

VIETNAM

As with the audit performed by ORTOVOX, the reports of other factories (DB ID: 3268, 6027, 2442) in Vietnam reveal that payment of a living wage, excessive overtime and shortcomings in workplace safety are the most frequent problems in Vietnam. Whilst the safety-related shortcomings in the factories were quickly addressed, wages and overtime are complex, multi-causal issues that require an extensive overhaul. To this end, ORTOVOX regularly seeks dialogue with suppliers, other companies and organizations.

In addition to the Fair Wear Foundation, there are other trustworthy and exacting organizations and initiatives that campaign for better working conditions in factories. Some, like the FWF, work with brands, whilst others address the factories directly. An example of this is the “Better Work Program” of the International Labour Organization (ILO). The project is offered in various countries, including Vietnam since 2009. The program focuses on evaluating the factory based on unannounced visits and a comprehensive follow-up, if shortcomings are identified. More information can be found at <http://betterwork.org/vietnam/>

ORTOVOX has been working with the supplier (ID: 8497) since 2010. However, no FWF audit had yet been performed. For several years, the supplier has been taking part in the “Better Work Vietnam” program. The last inspection was carried out in December 2015. The auditors conducted interviews with workers, the management and trade union representatives. In addition, documents were examined and the factory itself inspected. As a follow-up, “Better Work” advisors visited the factory regularly and assisted with addressing the shortcomings. Information on the Fair Wear Foundation is displayed publicly in the factory. This gives employees the opportunity to make use of the FWF complaint hotline. In this way, the “Better Work Vietnam” program can ideally complement the service of the FWF without creating additional expense through duplicate audits.

CHINA

The factory in China (ID: 5839) works for various FWF members and its operations are supervised by another member. In general, the audit results reflect known difficulties in the Chinese textile industry: there are only minor shortcomings in workplace safety and there are good management systems for monitoring the working conditions. Freedom of association in factories is frequently restricted, which is due to legal conditions in China. Overtime is a common problem. Wages for regular working hours do not meet the level required by local or international stakeholders.

BELARUS

Belarus is classified as a high-risk country by the Fair Wear Foundation. However, our supplier there (ID: 3012) has very high working standards. There is merely a lack of a living wage, even though the statutory minimum wage is paid at the factory.

OVERVIEW OF ALL SUPPLIERS

LOW RISK

FWF DATABASE CODE	FACTORY LOCATION	1ST YEAR OF PURCHASE	PRODUCING FOR OTHER FWF MEMBERS	FWF QUESTIONNAIRE	FWF COLP POSTED	AUDITED OR LOW RISK	AUDIT SCHEME
8484	Austria	1990	no	yes	yes	yes	
3253	Germany	2014	yes	yes	yes	yes	
10080	Germany	2016	no	yes	no	yes	
8495	Hungary	2012	no	yes	yes	yes	
10671	Hungary	2015	no	yes	yes	yes	
10515	Hungary	2009	no	yes	yes	yes	
3845	Hungary	2009	yes	yes	yes	yes	
8490	Hungary	2013	no	yes	yes	yes	
8487	Hungary	2013	no	yes	yes	yes	
8494	Hungary	2015	no	yes	yes	yes	
5846	Italy	2017	yes	yes	yes	yes	
11291	Latvia	2017	yes	yes	yes	yes	
5053	Latvia	2015	yes	yes	yes	yes	SA8000
11819	Latvia	2017	yes	yes	yes	yes	
11820	Latvia	2017	yes	yes	yes	yes	
11822	Latvia	2017	no	yes	yes	yes	
11823	Latvia	2017	yes	yes	yes	yes	
5054	Latvia	2015	yes	yes	yes	yes	SA8000
3285	Latvia	2015	yes	yes	yes	yes	SA8000
11824	Latvia	2017	yes	yes	yes	yes	
9952	Lithuania	2016	no	yes	yes	yes	
2881	Lithuania	2010	yes	yes	yes	yes	
3054	Lithuania	2010	yes	yes	yes	yes	
10514	Lithuania	2013	no	yes	yes	yes	
8510	Lithuania	2011	no	yes	yes	yes	
9953	Lithuania	2017	yes	yes	yes	yes	
8486	New Zealand	2010	no	yes	yes	yes	
8483	Poland	2010	no	yes	yes	yes	

HIGH RISK

FWF DATABASE CODE	FACTORY LOCATION	1ST YEAR OF PUR- CHASE	PRODUCING FOR OTHER FWF MEMBERS	FWF QUESTION- NAIRE	FWF COLP POSTED	AUDITED OR LOW RISK	AUDIT SCHEME	DATE
3012	Belarus	2011	yes	yes	yes	yes	FWF	April 2016
3801	China	2011	yes	yes	yes	no	-	
10079	China	2016	no	yes	no	no	-	
5839	China	2016	yes	yes	yes	yes	FWF	August 2016
11126	Ukraine	2017	yes	yes	yes	yes	FWF	Januar 2015
10518	Viet Nam	2016	yes	yes	yes	yes	FWF / SA8000	March 2016
3268	Viet Nam	2015	yes	yes	yes	yes	FWF / SA8000	March 2016
4568	Viet Nam	2011	yes	yes	yes	yes	FWF	February 2016
8497	Viet Nam	2010	no	yes	yes	yes	Better Work	December 2016
6027	Viet Nam	2013	no	yes	yes	yes	FWF	October 2014
10759	Viet Nam	2016	yes	yes	yes	yes	FWF	December 2016
8499	Viet Nam	2013	no	yes	yes	yes	FWF	May 2016
10081	Viet Nam	2015	no	yes	yes	yes	FWF	November 2016

2017/2018 OBJECTIVES

For the coming business year, ORTOVOX wishes to ensure deeper insights into the current supply chain. The initiation of a CCS (Content Claim Standard) process can create transparency and traceability in the long term.

Due to the growth in the mountainwear segment and the increased demand for wool that this involves, ORTOVOX will from now on be working with more Tasmanian farms. The focus here will be upon personal, friendly contact and upon continuing the ORTOVOX WOOL PROMISE by auditing the new farms.

ORTOVOX is also striving to intensify its membership and cooperation with the Textiles Partnership.

In all areas, ORTOVOX's continuous improvements are based upon the guidelines of the Fair Wear Foundation. Special focus is therefore placed upon sustainability, conscientiousness, and ethical and moral principles. At the same time, ORTOVOX is striving to achieve the Fair Wear Foundation's "Leader" status.

GLOSSARY

CAP	Corrective Action Plan (catalogue of measures for improvement as part of the audit result)
CSR	Corporate social responsibility
EOCA	European Outdoor Conservation Association
FOB	Free on board (international commercial term)
FWF	Fair Wear Foundation
ILO	International Labour Organization
ISPO	International Trade Fair for Sports Equipment and Fashion in Munich
OWP	ORTOVOX WOOL PROMISE

**NEW CSR CONTACT:**

Stefanie Rieder-Haas
CSR Manager
srieder@ortovox.com

"I have been passionately committed to ORTOVOX since 2010. Moving from Marketing to CSR was a big and important step – and not just for me. This move also shows that the topic of sustainability, which has always been important to ORTOVOX, is now being focused upon more intensively in terms of the company structure. So I'm very excited about my new role."