



SUSTAINABILITY REPORT 2017





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FOREWORD

Dear Readers!

In 2017, Schöffel celebrated its 50th anniversary as a manufacturer of ski and outdoor clothing. But the history of our company dates back a lot further, to 1804. This bestows a certain responsibility on me as the proprietor and managing director. Because I – as the seventh generation of the Schöffel family – make corporate decisions that are crucial to the future of our company.

First of all, this includes our key goal: we want to offer our customers a perfect product. The journey towards this goal is very complex and challenging because the perfect product does not just comprise the best comfort, optimum fit, top performance and fashionable design. A perfect piece of clothing applies to the entire supply chain, from the responsible selection of raw materials, hazardous substance management and resource-conserving production right through to social responsibility towards our employees in Schwabmünchen but also towards the people who work for our production partners throughout the world.

Sustainability is not just lip service and neither is it a trend. We see sustainability as an obligation that must be taken seriously and as a clearly measurable task that we want to move that little bit further forward every day at Schöffel.

We have already achieved much in the process: in 2017, we attained Leader Status at the Fair Wear Foundation for the third time in succession. We strengthened our presence in Asia and thus increased transparency at the production facilities. We perceptibly came a bit closer again to our objective of a completely PFC-free collection and became a partner in studies on the issue of microplastics. However, we are always conscious in all of our activities that sustainability is a continuous process; there is no fixed endpoint.

With this in mind, I am very pleased to be able to present the new Schöffel Sustainability Report. We have attached great importance to reporting in depth on our commitment in terms of humans and nature.

And I can promise you that our sustainable journey will continue this year with a great deal of commitment.

Best regards

A handwritten signature in blue ink, which appears to read 'Peter Schöffel', is shown within a light blue rectangular border.

Peter Schöffel

SCHÖFFEL SPORTBEKLEIDUNG GMBH

Facts and Figures

1804

Establishment of the family company by the Bavarian sock merchant, Georg Schöffel. As a travelling salesman, he sold knitted socks, nightcaps and Swabian pointed hats

The company today: Schöffel Sportbekleidung GmbH; Managing Director, Peter Schöffel, 7th generation of the family to own the business at its headquarters in Schwabmünchen in the traditional textile region of Augsburg



Official supplier to the Austria Ski Team (ÖSV) with race and leisurewear

SINCE
2009



Production facilities:
Europe 14,42 %
Asia 78,81 %
Africa 6,77 %

1,6
million items
produced in 2017
(brand and Professional Wear)



The Schöffel brand has been making functional, high-quality ski and outdoor clothing for more than 50 years.

The Professional Wear sector for corporate customers offers customised clothing solutions for industry, service providers and authorities

186

employees at head-
quarters: including
trainees and students
on internships: 8

In-house tailoring:
Production of
prototypes and
repair service for
customers



Commitment to CSR and sustainability:
Member of the Fair Wear Foundation since 2011, leader status since 2014; bluesign® system partner; member of the German Partnership for Sustainable Textiles; entire collection PFC-free by 2020



33

Schöffel-LOWA
stores



Management: Peter Schöffel (CEO), Felix Geiger (CFO), Hubert Schöffel, member of the Board of Management, authorised signatories: Georg Kaiser, Günther Herrmann



Sales in
29 countries
(Europe & Asia)

36%

export sales

WE TAKE OUR RESPONSIBILITY SERIOUSLY

and are committed to:

- ✓ Ensuring fair working conditions in production countries
- ✓ Saving resources when extracting and processing fibres
- ✓ Recycled materials
- ✓ Procuring animal fibres without causing them pain
- ✓ Reducing the use of chemicals in production
- ✓ Long product life



Schöffel has been a member of the **Fair Wear Foundation (FWF)** since 2011. In 2017, we attained the FWF Leader Status for the third year in succession, confirming our above-average commitment to social standards in our production facilities.

www.fairwear.org



1. No forced labour.



2. No discrimination in employment relationships.



3. No child labour.



4. Freedom of association and the right to collective bargaining.



5. Payment of a living wage.



6. No excessive working hours.



7. Safe and healthy working conditions



8. Legally-binding employment relationship.

PFC-free

Our environmental strategy:

We are aiming to replace per- and polyfluorinated (PFC) substances with risk-free alternatives by 2020.



We are a member of the **European Outdoor Conservation Association (EOCA)**.

This European outdoor industry initiative is committed to protecting and preserving endangered areas, animals and plants.

www.outdoorconservation.eu



We have been a **bluesign® system partner** since 2013. bluesign® is driving sustainable textile production to protect mankind, the environment and resources.

www.bluesign.com



Since 2015, we have been supporting this multi-stakeholder initiative to improve labour conditions in textile production by ensuring fair purchasing terms and conditions, secure jobs, working for a living wage and resource-efficient production.

www.textilbuendnis.com

SUSTAINABILITY

A MISSION FOR ALL DEPARTMENTS

If you visit Adele Kolos, Schöffel’s Corporate Responsibility Manager, at her desk, you will soon realise how diversified her role is. Various documents sorted into files are meticulously lined up on her desk. She is currently working with a student intern to prepare a CSR training concept for technicians in Vietnam. This is because in 2018 Schöffel will open its own office with local staff in Hanoi, with the objective of making quality control and the way Corporate Social Responsibility (CSR) requirements are reviewed even better.

Ms Kolos, you have been Corporate Responsibility Manager at Schöffel since September 2017 and before that you worked in the operative purchasing / supplier management department and in production planning and control. What’s exciting about your new role?

Sustainability is a very wide-reaching field, which needs to be practised throughout all areas of the company. In my position, I can learn and experience a great deal from individual specialists, but at the same time I also need to challenge all employees to make improvements in terms of the environment and social standards. Continuous development is vital for this and we can never stand still in my field. And so every day I work on complex tasks with various different colleagues. There’s no time for boredom.

Which departments do you work with?

All of them. Corporate Responsibility does not work as a stand-alone solution. My role is to raise awareness of topics, develop strategies and processes, drive forward partnerships and projects and, if necessary, draw attention to any shortcomings. This can be unpleasant at first. But in the end my work helps colleagues, who are juggling other topics such as pricing policies, delivery times or product durability, not to lose sight of CSR. The fact that sustainability is a fundamental pillar of our corporate strategy obviously makes my work a lot easier. Schöffel takes its responsibility towards the environment and people very seriously and this is partly because of our long history as a family company and employer and also because of our closeness to nature. And active outdoor sports enthusiasts protect what lies closest to their hearts.

What is the CSR strategy at Schöffel like?

Multi-layered. To name a few examples: we work with the system partner Bluesign in the areas of environmental and hazardous substance management. Their guidelines apply to our suppliers and their products. We have also set ourselves the objective of replacing per- and polyfluorinated chemicals, or PFCs for short, in our collections with risk-free alternatives by 2020. We continuously assess the reasonable use of recycled materials and ensure that processed animal fibres are procured without causing the animals pain. We optimise transport routes to achieve lower CO2 emissions and use renewable energies in our subsidiary in Schwabmünchen. When it comes to challenging environmental topics, such as microplastics, we are committed to research projects and check alternative materials. In terms of social standards in production facilities, we have been working with the Fair Wear Foundation since 2011 and have achieved leader status for particularly sustainable companies three times in succession. Thanks to our in-house sewing line, we also offer a repair service and therefore extend the lifetime of our already high-quality and therefore long-lasting products. This is an important aspect of sustainability.

Transparency and sustainability are closely linked with one another. How can transparency be achieved in a medium-sized company?

First of all, sustainability needs to come from the heart. Processes must be carefully analysed to ensure a sustainable path. This is time-consuming and must be seen to be an established component of everyday work. The ongoing



Adele Kolos, Corporate Responsibility Manager

search for potential for optimisation will obviously show up any weak points straight away – both our own and those that concern the entire industry. And if we want to be transparent, we also need to publicise these weaknesses. Also helpful when it comes to transparency are our long-term partnerships based on trust with our production facilities. We take the approach of working alongside our partners to get better together. If any problems arise, we try to talk about them. This applies both to social and ecological topics.

What projects are currently particularly close to your heart?

On the one hand, we are working alongside Kjus and Haglöfs on a Living Wage project at a shared producer in Vietnam. This is a great example of how competitors can work side by side to achieve shared CSR goals. We are also involved in two research projects on the subjects of plastics and microplastics. As a BSI member, we support Textile Mission, which is researching the issue of “microplastics in washing processes”, whilst VerPlaPos is observing consumer reactions to plastics and the potential to avoid them at the point of sale.

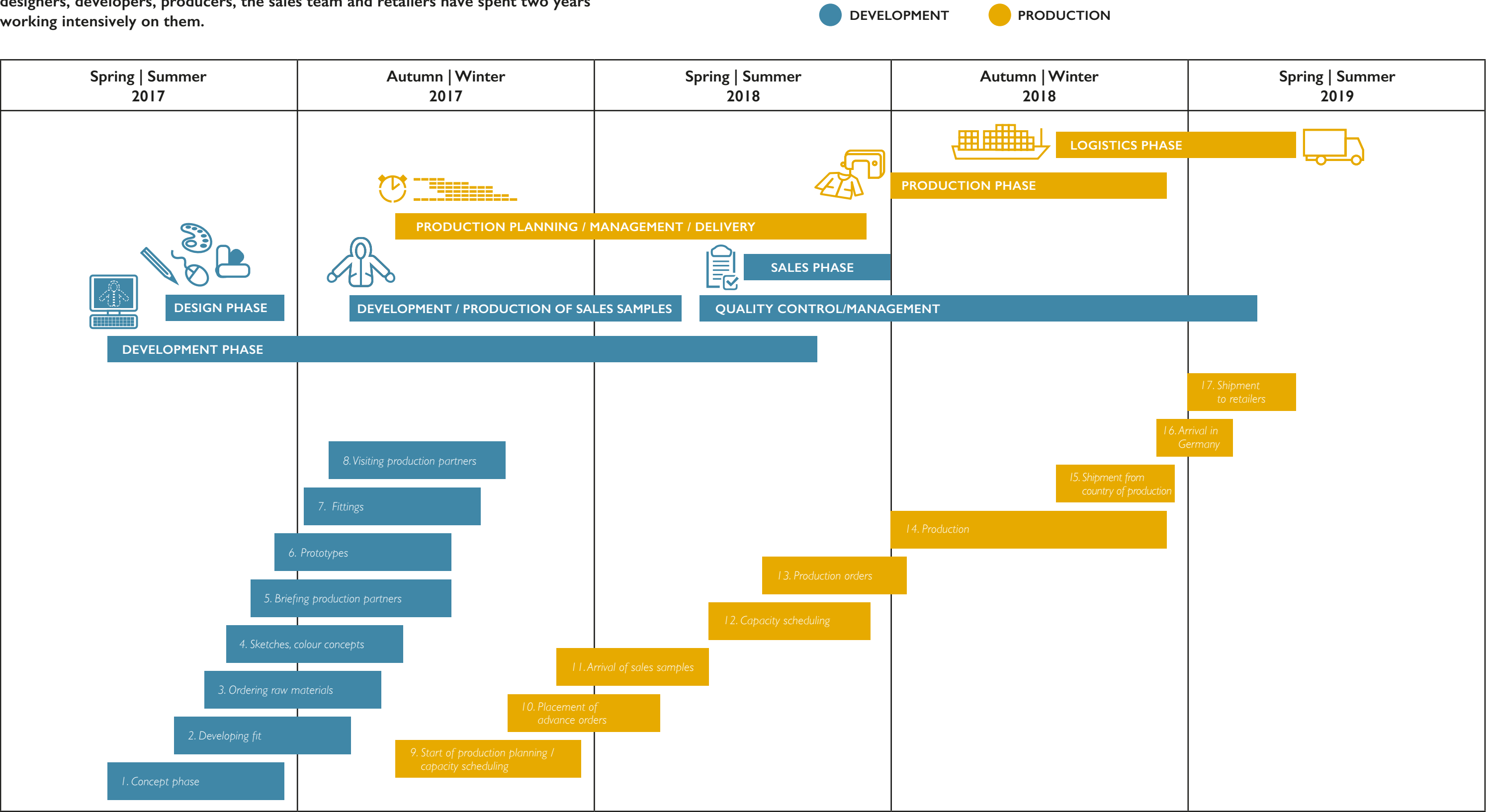
What are your hopes for the future?

It would be great if industry, politics and consumers could act in an even closer alliance. As a company, we try to explain things to consumers and to raise their awareness. There are some well-informed customers, who ask targeted and detailed questions, but there also a great many who have no knowledge of supply chains, production facilities, fair wages and the challenges involved in producing a technical jacket as sustainably as possible. Sustainability is often a requirement, but at the same time there is a reluctance to invest more money in it. Each one of us can make improvements – as a company and as consumers. This should be our aim for every one of us. We need to address any weak points – both our own and those that concern the entire industry. And if we want to be transparent, we also need to publicise these weaknesses. Also helpful when it comes to transparency are our long-term partnerships based on trust with our production facilities. We take the approach of working alongside our partners to get better together. If any problems arise, we try to talk about them. This applies both to social and ecological topics.

PRODUCTION CYCLE

SUMMER 2019 COLLECTION

The development and production of functional outdoor and ski clothing is time-consuming and complex. By the time the finished products reach the retail sector, designers, developers, producers, the sales team and retailers have spent two years working intensively on them.





SCHÖFFEL REPAIR SERVICE

Long-lasting products for the sake of the environment – Evi Kuchenbaur, joined the Schöffel family in 1999. Since 2014 she is Head of the Sewing Line which is one of the traditional company's principal components.

The Schöffel sewing line not only produces prototypes for upcoming collections, the team also repairs items of clothing that have been sent in.

Yes, that's right. Several thousand products are repaired here on the sewing line in Schwabmünchen every year and are then sent back to the customers. Functional clothing makes up the large majority of the items of clothing that we work on here. Our functional clothing is very robust and high quality and therefore corresponds with Schöffel's fundamental principles. Provided that they are well cared for, the goods are designed to be used for several years. It therefore makes complete sense to repair them.

So the average at Schöffel is several years?

A Schöffel ski jacket is worn for an average of nine years. However, we are regularly sent jackets that have been worn for way longer than that. The oldest model I can remember was more than 20 years old. We repaired a burn mark on the front left section and the model was then sent back to its owner. These are real favourites, which the customer associates with special memories and which they feel really comfortable wearing – it's the best endorsement for our developers and designers.

As a textile professional, what would you like to say to customers?

Firstly, that a ski jacket is a very complex product. A Schöffel model is made up of about 250 individual fabric parts - made of various different materials and components, including cord stoppers and zips. These jackets need to withstand extreme weather conditions and they also need to provide optimum moisture transfer and breathability. Lightfastness must also be guaranteed, ensuring that a piece of clothing keeps its original colour even when exposed to strong sunlight and therefore UV rays. It's not just a great deal of workmanship that goes into a ski jacket, there is also a lot of technical expertise and always the fundamental idea of sustainability. And so Schöffel's philosophy is to use materials sensibly and to ensure fair production conditions. Combining all of this with achieving customer satisfaction can often be a balancing act. But the customer has to be aware that the idea of sustainability goes into every item of clothing. This is something they can be sure of when choosing their clothing.

Durability is also good for the environment. Customers can contribute towards this. How?

Of course the right care is very important, as functional pieces are often still not being washed correctly. We often

see this with the returned goods that come in. We also explain in detail on our website what people need to look out for. The choice of colour can also be sustainable: fashionable colours that people will have gone off by the time the next season comes round not only shorten the lifetime of the product but also its use – and a fully functional model is then quickly taken out of service. This means that for high-quality pieces, generally popular colours should be chosen. And of course jackets shouldn't just be thrown away when they need minor repairs. Our qualified sewing line team will take care of that.

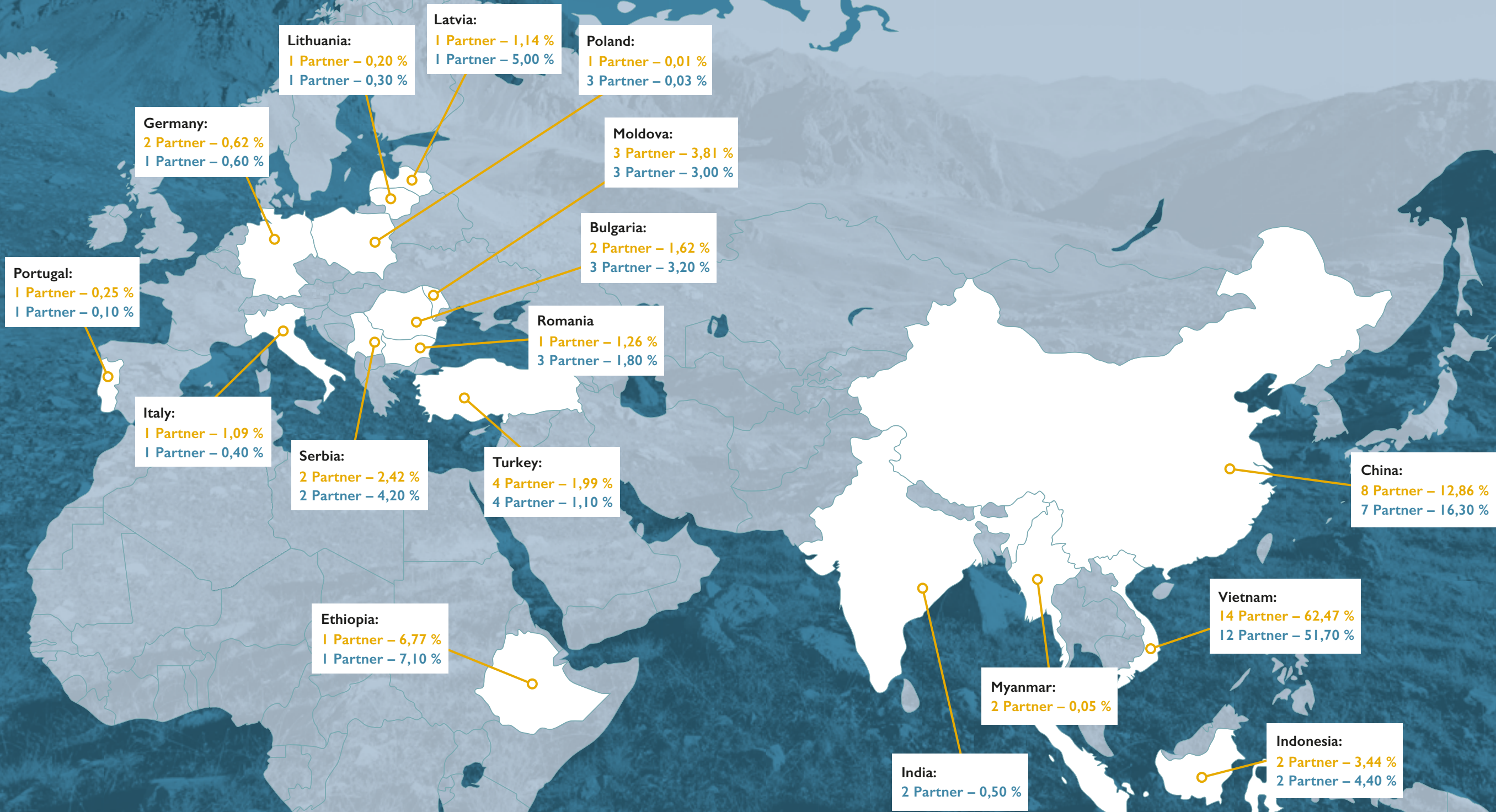
The right qualifications. What is the Schöffel sewing line team all about?

We have the technical equipment and expertise on site to rework highly functional items of clothing. This means, for example, that we can bond seams, adjust individual parts and fully guarantee the function of the clothing. We guarantee repairs within 10 days for our customers. The basic principle is this: we offer repairs because we are convinced that long usage of the product is sustainable. The repair service is a part of our promise to meet the needs of nature and our customers.



GLOBAL PRODUCTION FACILITIES

● Production volume 2017
○ Production volume 2016



OVERVIEW OF PRODUCTION PARTNERS 2017

Continent	Factory name	Location	FWF: low risk	Collaboration in years	FWF questionnaire
Europe	Walter Stöhr GmbH	Germany	yes	20	yes
	PA.C. GmbH	Germany	yes	1	yes
	Stamperia Alice S.R.L.	Italy	yes	10	yes
	Silva Confecções, S.A.	Portugal	yes	2	yes
	Z.P.H.U. Cobra	Poland	yes	3	yes
	Spectre Latvia Rezekne	Latvia	yes	8	yes
	Satrija AB	Lithuania	yes	3	yes
	DMD Fiore doo	Serbia	no	7	yes
	Kadinjaca AD	Serbia	no	22	yes
	Trend Fashion Textil (Rakovski)	Bulgaria	no	20	yes
	Trend Fashion Textil (Krichim)	Bulgaria	no	22	yes
	ICS Extravie S.R.L.	Moldova	no	4	yes
	ICS Extravie (Subunternehmen I)	Moldova	no	3	yes
	ICS Extravie (Subunternehmen II)	Moldova	no	2	yes
	ICS Extravie (Subunternehmen III)	Romania	no	2	yes
	SLN Tekstil ve Moda San. Tic. A.S.	Turkey	no	5	yes
	Enra Tekstil Konf. San. Ve Tic. Ltd. Sti	Turkey	no	1	yes
	Marma Tekstil Konf. Imz. San. ve. Tic.	Turkey	no	4	yes
	Version Tekstil Tür. San. ve. Dis Tic.A.S.	Turkey	no	4	yes
Asia	Asian Sourcing International Mfg. Co. Ltd.	China	no	11	yes
	Weijie Garment Co. Ltd.	China	no	1	yes
	Huai An Yuan Tong Headwear MFG. Co., Ltd	China	no	1	yes
	Hakers Enterprise Co. Ltd.	China	no	1	yes
	Nordsun Outdoor Products Co. Ltd.	China	no	4	yes
	Liwaco Outdoor Sporting Goods Co. Ltd.	China	no	19	yes
	Silk Trend Garments Co. Ltd.	China	no	4	yes
	Pingyang Buyreal Leather Products Co. Ltd.	China	no	3	yes
	Dong Tien Joint Stock Company	Vietnam	no	2	yes
	Hung Long II Garment Joint Stock Company	Vietnam	no	1	yes
	Kido Hanoi Co. Ltd.	Vietnam	no	11	yes
	Magictex Co. Ltd.	Vietnam	no	1	yes
	Minh Tri Smile Ltd.	Vietnam	no	4	yes
	PS Vina	Vietnam	no	11	yes
	Poongshin Vina Co. Ltd.	Vietnam	no	11	yes
	Prex Vinh Co. Ltd.	Vietnam	no	6	yes
	Shints TM Co. Ltd. (Quoc Khan)	Vietnam	no	6	yes
	Shints-BVT Co. Ltd.	Vietnam	no	11	yes
	Shints TN Co. Ltd.	Vietnam	no	2	yes
	Spectre Garment Technologies Co. Ltd.	Vietnam	no	2	yes
	Gatexco X20 Binh Minh Gmt. Factory 6	Vietnam	no	4	yes
	Gatexco X20 Gmt. Factory 3	Vietnam	no	4	yes
	PT. Kido Jaya, Factory I	Indonesia	no	11	yes
	PT. Masterindo Jaya Abadi	Indonesia	no	4	yes
	North Shore Global Ltd. (NSGII)	Myanmar	no	1	yes
	Eslite Garment Co.	Myanmar	no	1	yes
Afrika	Shints ETP Garment P.L.C.	Ethiopia	no	3	yes
Total				6,15	100 %

% purchasing volume	Factory visits 2017	Audit	CAP Status	FWF training
0,61	no	n.v.	n.v.	n.v.
0,00	no	n.v.	n.v.	n.v.
1,09	no	n.v.	n.v.	n.v.
0,25	no	n.v.	n.v.	n.v.
0,01	no	n.v.	n.v.	n.v.
1,14	no	SA8000 15	n.v.	n.v.
0,20	no	n.v.	n.v.	n.v.
0,90	no	January 2015	almost completed	n.v.
1,51	no	June 2016	completed	n.v.
0,00	no	May 2017	partially disclosed	n.v.
1,62	no	May 2017	almost completed	n.v.
0,02	no	November 2015	almost completed	n.v.
3,43	no	November 2015	almost completed	n.v.
0,36	no	October 2016	partially disclosed	n.v.
1,26	no	November 2016	partially disclosed	n.v.
0,21	no	April 2014	completed	no
0,01	yes	July 2016	partially disclosed	no
0,84	yes	August 2016	partially disclosed	no
0,94	yes	October 2017	partially disclosed	December 2014
0,46	no	October 2017	partially disclosed	June 2017
0,43	no	SUMATIONS Mai 2016	n.v.	no
0,04	no	WRAP 2017	n.v.	June 2017
0,48	yes	no	n.v.	no
3,87	yes	June 2015	completed	March 2016
0,32	yes	June 2015	completed	November 2015
7,15	yes	July 2017	almost completed	no
0,11	no	no	n.v.	no
2,41	yes	August 2017	partially disclosed	no
0,60	yes	no	n.v.	no
1,19	yes	August 2017	partially disclosed	September 2015
0,12	yes	September 2017	almost completed	no
3,28	yes	March 2015	almost completed	December 2017
5,50	yes	November 2016	almost completed	October 2015
6,00	yes	October 2017	partially disclosed	October 2015
3,66	yes	Dezember 2016	almost completed	September 2015
5,29	yes	August 2017	partially disclosed	December 2015
10,42	yes	May 2017	partially disclosed	December 2015
5,29	yes	September 2017	partially disclosed	no
10,12	yes	December 2017	disclosed	October 2017
7,42	yes	October 2017	disclosed	no
1,15	yes	October 2017	disclosed	no
2,22	yes	November 2017	disclosed	no
1,22	no	August 2017	partially disclosed	no
0,04	yes	April 2017	partially disclosed	no
0,01	yes	March 2017	partially disclosed	no
6,77	yes	October 15	almost completed	no
100%				

THE SCHÖFFEL STAKEHOLDER DIALOGUE

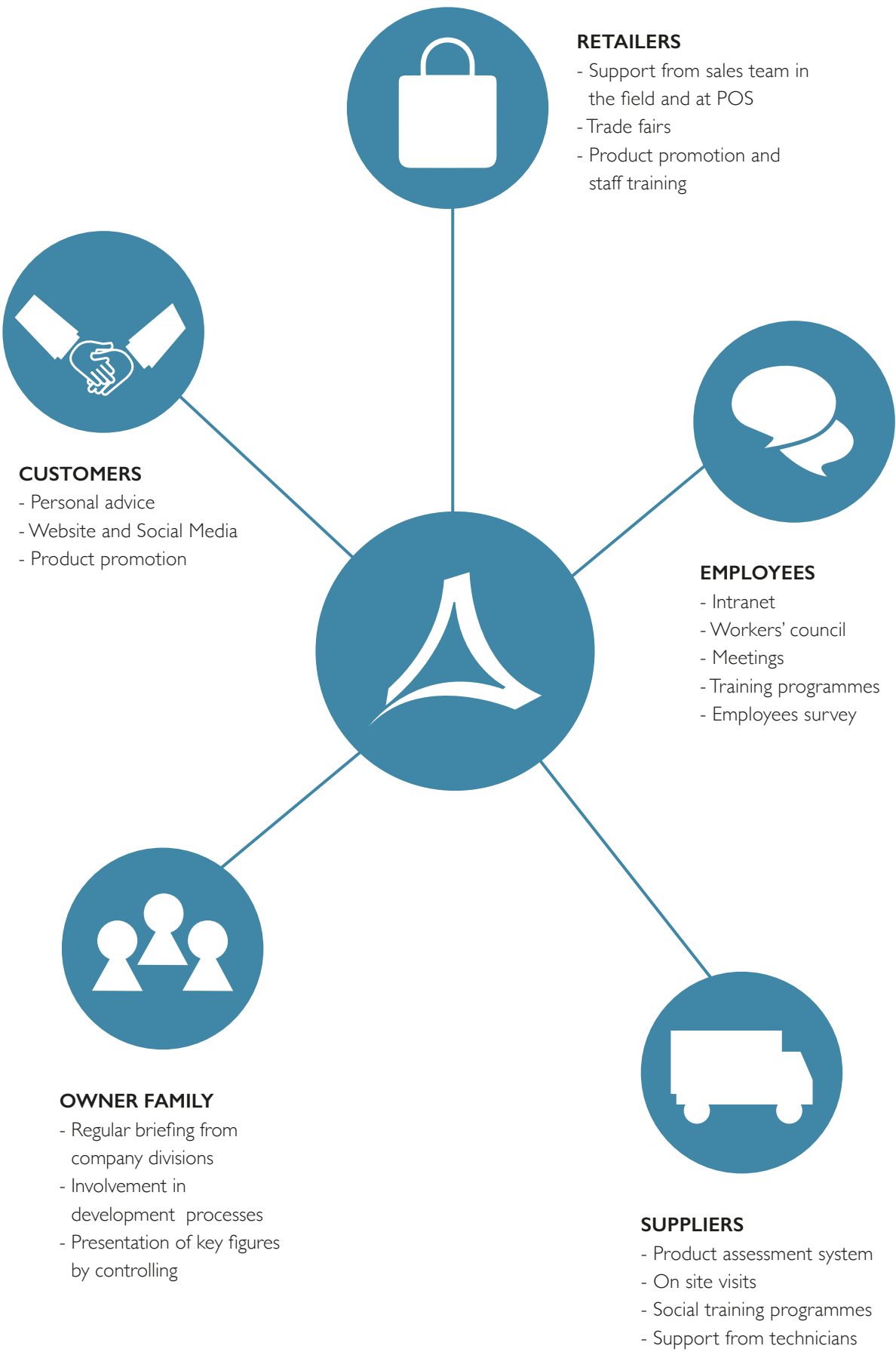
Continuous discussions for new momentum

Sustainability means dialogue. After all, it is only by maintaining a dialogue with our direct stakeholders that we can conduct our business responsibly and therefore sustainably. Our stakeholders are the people who are directly involved with Schöffel, including the Schöffel family and our employees, as well as our retailers, suppliers and customers. We use various channels of communication to maintain a dialogue with our stakeholders, so that we can keep them informed or get feedback from them on the way we do business. What we are looking for above all is discussion, as

well as personal advice and support. These communications are supported by digital media and product information. In addition, we also produce an annual Sustainability Report, which provides our indirect stakeholders such as society in general, non-governmental organisations (NGOs), politics and competitors with extensive information on our activities and the progress we are making in terms of sustainability. It is only by including all interest groups that we can continue to develop and enjoy long-term success. We stay in touch!



Schöffel in discussions with North Shore and Eslite, Myanmar





Peter Schöffel and Georg Kaiser on a visit at a Vietnamese producer

WHEN THE JOURNEY IS THE DESTINATION STRONG PARTNERSHIPS FOR FAIR PRODUCTION

It's October 2017, Peter Schöffel shakes Jesper Clausen's hand and says goodbye. The two of them have just spent two full days of analysis and negotiations. The result: Schöffel has boosted its local presence so that it can provide even more support for social standards in its production facilities.

The majority of technical, functional clothing and its components now comes from Asia. Over the past few decades, this is where technical expertise in high-quality textile processing has converged and production takes place under economically viable conditions. Profitable business is vital for the success of a company and therefore also for its employees. The significance of this extends further still: after all, only economically successful companies will have enough room to manoeuvre to turn traditional values and sustainable

goals into reality. Schöffel is active in Asia with 26 sites in 4 countries and works alongside its local production partners. At Schöffel, the task of ensuring fair working conditions at production sites is a matter for the boss. The Managing Director has at least two trips in his diary every year to visit partners. But it's not just Peter Schöffel who makes on-site visits. Schöffel employees from the purchasing department and from the QA/CSR-team are also on site time and again. In October 2017, Managing

Director Peter Schöffel and Georg Kaiser, Member of the Executive Board and Head of Procurement and Logistics, travelled to Vietnam to visit some important partners on site. "Our presence on site helps us to support the work of the employees. Good personal interaction is important for transparency and for maintaining our principles, which we also pursue as a member of the FairWear Foundation. Even though these visits are time-consuming and exhausting, they are an important part of our communications strategy with our producers," says Peter Schöffel, explaining the reasoning behind it. He goes on to say: "We have a responsibility not only towards our employees in Schwabmünchen, but also towards those working in our production facilities. And we are committed to this task."

As a member of the FairWear Foundation, Schöffel expects the guidelines for fair working conditions to be fulfilled (see p. 26). Problems revealed by audits are the first step towards starting open communications with the production partner and working together to find a solution. "Our aim is for lasting partnerships. Only by working together with our producers can we achieve our social goals and this is what we want," explains Georg Kaiser. "We are not interested in simply ending a partnership if sustainable objectives have not

been fulfilled. For us, it's much more a question of encouraging the development of operations in a sustainable direction and supporting them as they achieve this. That's the only way of changing things."

Schöffel has been a committed member of the FairWear Foundation since 2011 and, since then, has consistently pursued its goal of guaranteeing fair production conditions at its partners. For example, in the main production country, Vietnam, one employee is dedicated to supporting compliance with guidelines on site all year round and this presence is set to be further extended. "High-quality products are not just about materials and craftsmanship, high quality also means fair and that's why, as the owner, I am always happy to accept every trip," Peter Schöffel concludes.



SCHÖFFEL HONOURS ITS DANISH PARTNER WITH THE CSR AWARD

In 2016, Schöffel developed the "Garment Supplier Evaluation" producer assessment system. This assesses the performance of production partners in terms of cooperation, reliable delivery, product quality, pricing and product development. The system also reveals the potential for making improvements in the individual facilities.

The producer with the best results for the season receives the "Supplier of the year award" from Schöffel. In addition, a special "CSR AWARD" honours performance with regard to audit results, following up complaints and CSR documentation, as well as transparency, communication and cooperation.

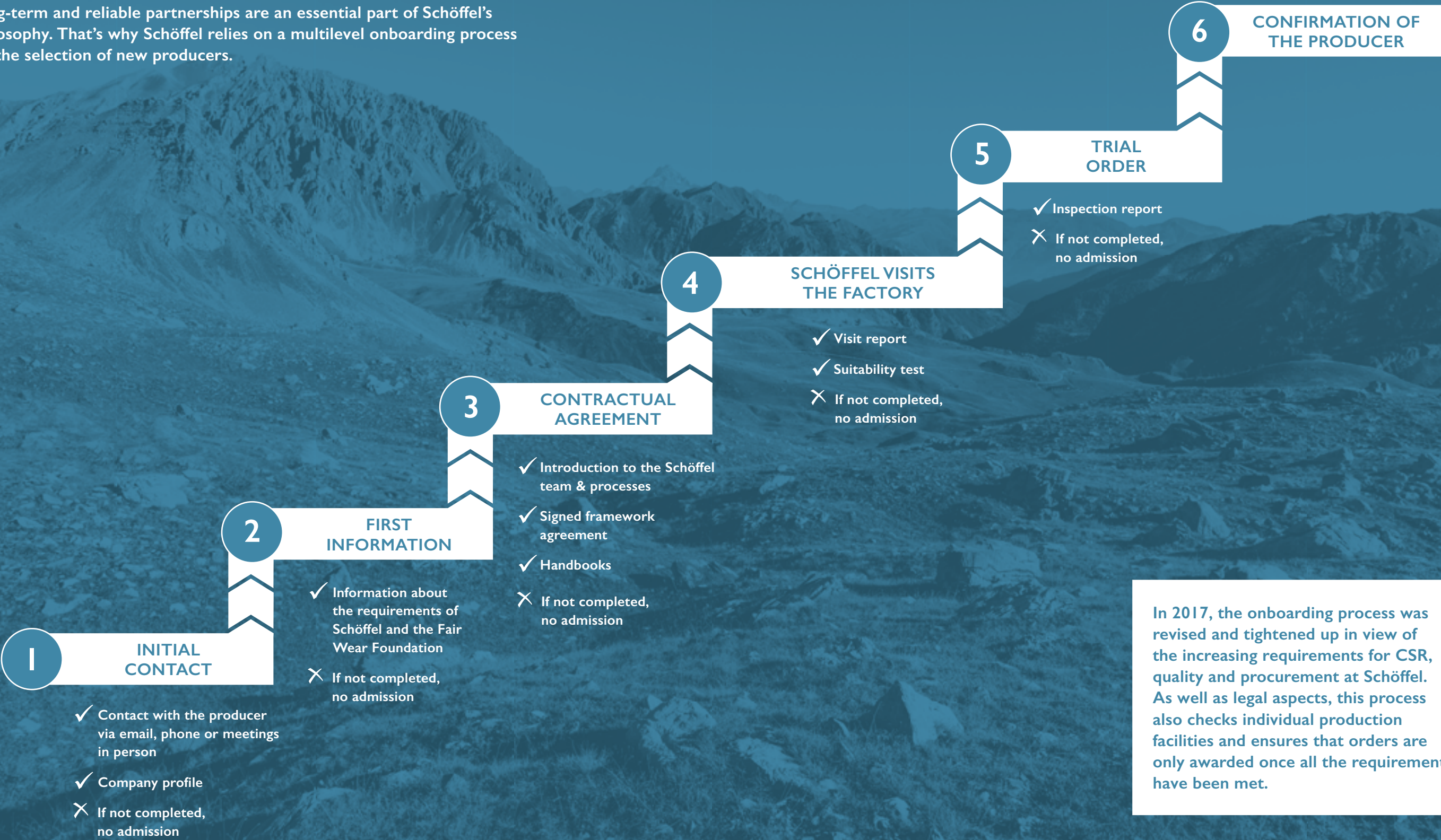
In 2017, a Danish business partner called Spectre, which has production facilities in Latvia and Vietnam, was presented with the "CSR Award". This was the second time in succession that the company had received the award. Schöffel rated the partner's active involvement in the continuous improvement of working conditions in its own factories as outstanding.



Outstanding achievements in CSR: Jesper Clausen, Hanna Meldgaard and Jacob Klausen accept Schöffel's CSR Award 2017.

ONBOARDING PROCESS FOR NEW PRODUCERS

Long-term and reliable partnerships are an essential part of Schöffel's philosophy. That's why Schöffel relies on a multilevel onboarding process for the selection of new producers.



RESPONSIBLE PRODUCTION IN MYANMAR

Over the past few years, Myanmar has developed into a production country offering many advantages for the clothing industry. This development was supported by the end of the military dictatorship and the formation of a new government in 2011. A legal minimum wage was introduced in 2015 and increased in March 2018 as the result of increased union activity. Due to the still “young” democracy in Myanmar and the ongoing development of essential social framework conditions, the Fair Wear Foundation (FWF) sets out stricter production requirements for this country. Schöffel has been producing in Myanmar since the end of 2017 through its partners Eslite and North Shore. The company considers the FWF’s specifications for the country to be reasonable and has undertaken a number of measures in order to fulfil them. This includes:

A ban on working with factories, which have a direct link with the military.
Both partners, with whom Schöffel works, are owned by investors from Taiwan.

Publication of the names and addresses of factories
See page 16: Overview of production partners and publication via the FWF.

Reasons for production in Myanmar stated in advance to the FWF
Schöffel decided to start production in Myanmar only after in-depth considerations and discussions with the FWF, for economic and strategic reasons and with the help of its own onboarding process.

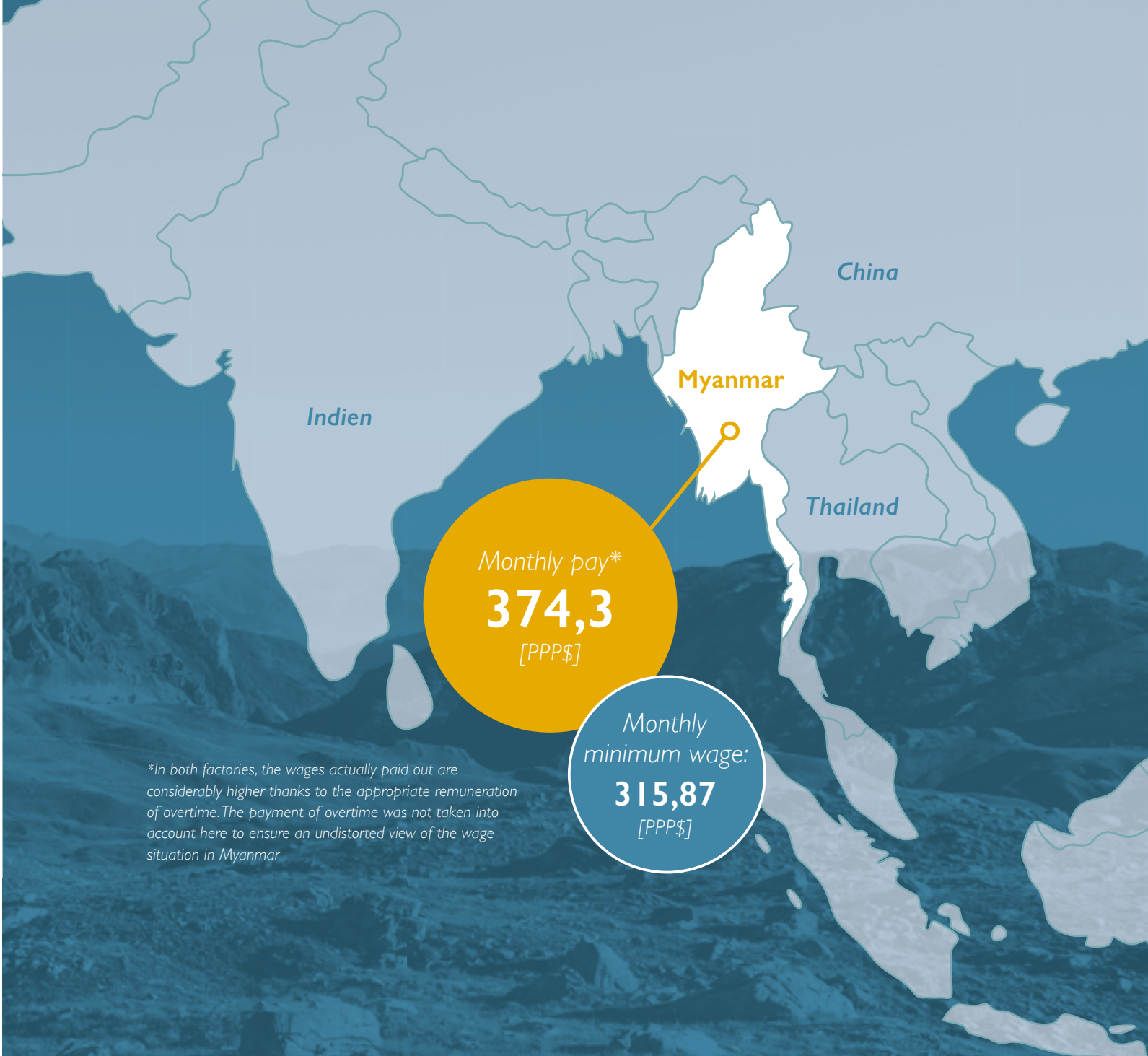
Information on the consequences of starting production in Myanmar for the awarding of contracts in other countries
Schöffel's purchasing volume in Myanmar is 0.05% for both factories. Starting production in Myanmar offered an effective solution to the capacity restrictions at the two existing producers in Vietnam and was also initiated with a view to the sustainable management of overtime hours.

Driving forward the social dialogue in the production facilities to strengthen existing associations
In 2017, Schöffel organised training sessions at both production facilities for the workers and management. SMART Myanmar and the FWF carried out workshops on communication and checking the age of young people. SMART Myanmar is a European Union project to support and promote sustainability and social responsibility in the clothing industry.

Implementation of definitive measures for improving the eight labour standards
Training sessions and regular personal visits and audits carried out by Schöffel continuously assess and improve the eight FWF labour standards. From 2018 onwards, the opening of its own office in Hanoi will provide the possibility of training local staff on CSR topics. Schöffel plans to appoint Vietnamese technicians in the surrounding countries as well, including in Myanmar. This means that a local contact person will be able to support the factories with social concerns and issues.

Publication of wages at all factories
Comprehensive information on the wage structures at all factories can be found below.

Regular audits take place in the factories in Myanmar, followed up by improvement measures. Audits took place in both production facilities in 2017. Eslite Garments was audited in March, whilst the audit at the North Shore Group followed at the beginning of April. As a next step, the necessary improvement measures were outlined together with both producers and set out in a corrective action plan. The Schöffel CSR team supports their implementation as part of intensive discussions with the relevant factory management.



WAGES AT THE PRODUCERS IN MYANMAR

The following diagram shows wages and the minimum wage in purchasing power parity (PPP\$). By showing the information in purchasing power parity, the figures for different currencies are not compared using an exchange rate. Instead, the purchasing power of the currency is determined using a representative basket of goods – so what the employees can “afford” to buy with their Burmese wages.

The legal minimum wage in Myanmar in 2015 was MMK 3,600 for an eight-hour working day (= MMK 108,000 a month). Thanks to active demands from

the unions, the legal minimum wage was increased by 33% in March 2018 to MMK 4,800 (= MMK 144,000 a month). Constant pay rises are an important step towards the payment of a living wage.

The information is an average value for both factories. To calculate the purchasing power, the conversion factor from the World Bank was used: Myanmar conversion factor 2016: 341,903 [units in local currency in as per international \$]
<https://data.worldbank.org/indicator/PA.NUS.PRVT.PP?locations=MM>

CODE OF ETHICS

CODE OF LABOUR PRACTICE

Guidelines for fair working conditions – the partnership between the company and the Fair Wear Foundation based on the “Code of Labour Practices”. These eight social standards are derived from the ILO Convention and the UN Declaration on Human Rights. The FWF Code of Labour Practice is therefore based on internationally recognised standards discussed at tripartite meetings.



The employment relationship must be voluntary

Forced labour, including bonded labour or prisonlabour, is not permitted. (ILO Conventions 29 and 105)



No discrimination in the employment relationship

Recruitment, wages policy, access to further training, rules on promotion, termination of employment relationships, retirement and all other aspects of an employment relationship must be based on the principle of equal opportunity, regardless of race, colour of skin, gender, religion, political persuasion, membership of trade unions, nationality, social origin, weaknesses or disabilities. (ILO Conventions 100 and 111)



No exploitation of child labour

Child labour is strictly forbidden. The minimum age of recruitment for gainful employment must not be below the national age for compulsory schooling and in general not below the age of 15. (ILO Convention 138)

There must be no form of slavery or similar circumstances such as for sale and trading in children, bonded labour, servitude or forced labour. Children (between 15 and 18) may not carry out any work “the nature of which or the circumstances under which it is performed might have a potentially damaging effect on the health, safety or morals of children.” (ILO Convention 182)



Freedom of association and the right to collective wage negotiations

The employer recognises the right of all employees to establish and join trade unions, as well as to conduct wage negotiations on a collective basis. (ILO Conventions 87 and 98)

In those cases in which the freedom to join a trade union and the right to collective wage negotiations are restricted by law, the company will encourage all employees to seek alternatives for independent and free organisations and negotiations. There must be no discrimination against the employee representatives and they must be given access to all places of work in the performance of their duties as representatives. (ILO Convention 135 and Recommendation 143)



On visible display: CoLP posted in production, secure workplace: cut-resistant gloves for cutting



Payment of a “living wage”

Wages and allowances for a normal working week must equate at least to the statutory minimum or minimum standard for the sector and must always be sufficient to meet the basic needs of the employees and their families, as well as for them to have an additional specific level of disposable income. (ILO Conventions 26 and 131)

Deductions from wages as a disciplinary measure are not permitted. It is also not permitted to make wage deductions which are not based on national legislation. The total deductions may not result in the employee receiving less than the statutory minimum wage. All employees shall receive appropriate and accurate information on the components of their wages, including the rate of pay and period for which the wage is paid.



No excessive working hours

The working hours must comply with the statutory provisions and normal standards for the sector.

The regular working time must not exceed 48 hours per week. One free day must be granted within a period of seven days. Overtime must be worked on a voluntary basis, must not exceed 12 hours per week nor be regularly demanded. Compensation for overtime must be paid in the form of an overtime allowance in addition to the wages. (ILO Convention 1)



Health and safety at the workplace

The working environment must be clean and safe. The employer gives an undertaking to promote optimum health and safety at work based on current knowledge relating to potential risks and hazards. Special attention must be paid to the specific risks of working in this sector. Rules aimed at providing the maximum possible prevention of accidents and minimisation of risks to health must be implemented. (In line with the ILO Convention 155)

Physical abuse, threat of physical abuse, excessive penalties or disciplinary measures, sexual and other forms of harassment, including threats by the employer, are forbidden.



Legally binding employment relationship

The obligations to the employees as well as the labour and social laws and the regulations arising from the standard employment relationship may not be circumvented by the use of agency work arrangements or training programmes which are not aimed at providing skills or regular employment. Younger employees must be given the opportunity to take part in education and training programmes.





IMPLEMENTING AND CONTROLLING SOCIAL STANDARDS (CoLP)



The strategy for implementing and controlling social standards (CoLP) at Schöffel is based on three main pillars:

COMMUNICATIONS AND STAKEHOLDER DIALOGUES

- FWF membership, reference to country analyses
- Regular exchange with stakeholders (round tables, multi-stakeholder meetings)
- Regular exchange within the trade association and in working groups
- Regular exchange with suppliers

TRAINING, MONITORING, IMPROVEMENT MEASURES

- Regular risk assessment
- All production facilities included
- Audits (FWF teams, certified auditors)
- On-site visits by our travelling technician
- Implementation of corrective measures
- Training programmes

TRANSPARENCY AND VERIFICATION

- Completion of questionnaires
- Annual reporting procedure
- Annual Brand Performance Check by FWF
- FWF verification audits
- Publication of complaints

OUR AUDIT RESULTS 2017

Each member of the Fair Wear Foundation is required to have all its producers assessed at least once every three years by an independent FWF audit. In 2017, 18 Schöffel producers carried out these social audits.

WHAT IS AN AUDIT?

Audits assess the role played by labour standards in factories and how consistently these are implemented. To achieve this, the Fair Wear Foundation sends two to three auditors to the relevant production facilities to inspect them with regards to the eight FWF social standards. The auditors check all the relevant documents (staff contracts, overtime records, etc.), chat with employees – including outside the factory – and check the safety measures in the factory. The results are then recorded in an audit report, which is passed on to Schöffel.

BULGARIA

Trend Fashion Textil EOOD (Rakovski / Krichim)

Trend Fashion Textil has two factories in Rakovski and Krichim, which work closely with one another. Trend Fashion Textil is a long-term partner, which produces jackets for Schöffel. The 2017 audit found fault mainly with the lack of communication between the factory management and its workers. There is also room for improvement in both factories with regard to staff health care.

CHINA

Silk Trend Garments Co. Ltd. (Ningbo)

Silk Trend Garments has been supplying Schöffel with bodywarmers and thermal jackets since 2014. The second audit for this producer took place in 2017. The results led to possible solutions for reducing overtime hours, which the factory management developed during personal meetings with Schöffel. To improve working conditions still further,

they need to work on suitable overtime pay. Shortcomings in terms of occupational health and safety were also detected: for example, fire extinguishers need to be more accessible and employees should wear protective clothing where necessary.

Asian Sourcing International Mfg. Co. Ltd.

Asian Sourcing has been producing accessories for Schöffel for more than ten years now. A verification audit established deficiencies above all in a lack of communication between workers and factory management. Although the workers complained, for example, about too much overtime and inappropriate working hours, no improvement measures had been introduced by management. The payment of a living wage is also a relevant topic in this company. Shortcomings were also detected in the lack of ergonomic equipment at workstations and a lack of safety measures at the machines.

INDONESIA

PT. Masterindo Jaya Abadi

Following the 2016 audit, the verification audit carried out by the Fair Wear Foundation in August 2017 established that improvements were still needed in many areas. A review is required in the areas of management and communications, discrimination, freedom of association, appropriate working hours, health and safety and pay rises.

PT. Kido Jaya, Factory I

A verification audit was also carried out by the FWF at this producer in 2017. Kido Jaya has been producing motorcycle suits for Schöffel Professional Wear for more than ten years. Several social audits have already been carried out throughout the long-term partnership with Schöffel and so the results of the verification audit only highlighted a few minor shortcomings. For example, this audit criticised the lack of battery-operated breast pumps for nursing mothers and the fact that the illumination level of emergency exit signs had not been checked.

MYANMAR

North Shore Global Ltd. (NSGII)

North Shore is a new Schöffel partner, which produces fleece jackets. The partnership began in 2017 and is still in its test phase. Despite the short length of the partnership, Schöffel was able to visit the company twice in 2017 to get a good overview of the working conditions. An audit mainly drew attention to anomalies in health and safety due to renovation work in the factory, but the factory management are very co-operative and have made an effort to work on all the points that were raised. Shortcomings in the areas of freedom of association and appropriate working hours were handled and clarified rapidly. Because of their complexity, points of criticism concerning the employment of underage workers and the payment of a living wage will be processed and improved as part of an ongoing dialogue with the Fair Wear Foundation.

Eslite Garment Co.

The partnership with Eslite Garment is also in its early stages. The producer has been given an initial trial order to make pants and jackets for Schöffel. During the audit, issues concerning management practice (for example, high levels of fluctuation), appropriate working hours and pay, freedom of association and, above all, health and safety were raised. The auditors found fault, for example, with a lack of protective clothing but, more importantly, some striking deficiencies in terms of fire protection measures.

TURKEY

Version Tekstil Tur. San, ve Dis Tic.A.S.

Version Tekstil is a factory owned by Schöffel's partner Innova, which had already been audited the previous year. During the verification audit in 2017, the requirements from the previous audit had scarcely been fulfilled, which is why it was followed up by an additional on-site visit. Although Schöffel had worked with producers on achieving greater transparency for processes and had made suggestions for improvement measures, se-

rious shortcomings were still detected in the areas of freedom of association, child labour and appropriate pay. On the other hand, as far as health and safety in the workplace is concerned, four out of five points had been rectified. There continues to be an impression that, due to the aggravated political situation in Turkey, fewer companies and non-governmental organisations are getting involved in Turkey and it is therefore becoming more and more difficult to work with producers there.

VIETNAM

Gatexco X20 Binh Minh Gmt. Factory 6

Gatexco Factory 6 and Factory 3 belong to our long-term partner, Poong Shin, and both produce jacket and pants as well as ski clothing for Schöffel. The auditors found reasons for complaint in the newly built Factory 6, especially in the required remuneration for days missed due to illness and for working on Sundays. In addition, there were also 17 shortcomings in basic health and safety provisions. These included a lack of fire protection measures and first aid boxes in the production area. Some points, such as the installation of emergency exit signs, had been improved only partially since the previous audit.

Gatexco X20 Gmt. Factory 3

The audit results at Gatexco Factory 3 are similar to those from Gatexco Factory 6, since they both share the same management. The main shortcomings were once again to be found in appropriate remuneration – for example in the adequate payment of social security benefits – and in health and safety. In this factory, the lack of translations for safety warnings and very narrow emergency escape routes were criticised, amongst other things. When it came to checking whether appropriate working hours were respected, 3 or 4 points were able to be concluded..

CORRECTIVE ACTION PLAN AND TRAINING SESSIONS

Dong Tien Joint Stock Company

Dong Tien Joint Stock is a factory owned by Kido, one of Schöffel's long-standing production partners. Mainly pants and jackets are manufactured here. Since the factory already has high standards, there were scarcely any complaints. The improvement measures from the previous audit had been consistently executed, so only one point relating to an unsatisfactory monitoring system for working conditions at subcontractors still needed to be addressed..

Kido Hanoi Co. Ltd.

Like Dong Tien, Kido Hanoi is also a factory belonging to the Vietnamese partner. Schöffel has had pants and jackets made here since 2007. Due to the longstanding partnership, this factory has already carried out many audits, which meant that very few remaining shortcomings were detected during the audit in August. Two complaints, which had been raised during the previous audit in the areas of fire protection and first aid measures, had already been addressed. A remaining focal point is still the improvement of chemicals management.

Magictex Co. Ltd.

The producer Magictex only joined Schöffel's list of producers as a t-shirt and polo shirt supplier in 2017. Several areas therefore need to be addressed but the factory management is very keen to look into any remarks and introduce improvement measures: for example, in order to improve the monitoring system, communication and the right to freedom of association, attention was brought to the Fair Wear Foundation's code of conduct with appropriate notices. Many critical points were also detected in health and safety at work. The auditors noticed deficiencies such as missing fire extinguishers and protection devices on machinery, which have already been partially remedied.

Poongshin Vina Co. Ltd.

Schöffel has been working with Poong Shin for more than ten years. In an audit that took place in October 2017, the high amount of pressure on workers to fulfil production targets was called into question. Three out of six points concerning freedom of association needed to be addressed. Further improvement measures also needed to be introduced in the areas of appropriate working hours, the payment of a living wage and, above all, health and safety at work. All the same, nine critical points had already been dealt with.

Shints-BVT Co. Ltd.

Schöffel has also been collaborating with Shin Textile Solution, the head office of Shints-BVT, for a long time. Schöffel has double jackets and pants made here. Most of the deficiencies revealed during a verification audit at this producer were also to be found in health and safety at work. A lack of protective measures such as breathing masks and helmets was criticised, as well as the failure to carry out safety training sessions. This factory also needs to work on drawing workers' attention to their right of association and to increasing levels of pay.

Spectre Garment Technologies Co. Ltd

Spectre Garment Technologies is the Vietnamese factory of a Danish partner, which produces fleece jackets for Schöffel. The factory was newly built in 2016. An initial audit was organised when production first began. Since the factory still needs to establish some safety structures, there were mainly deficiencies in terms of health and safety at work: fire protection measures and emergency exit signs still need to be improved. Work is also required in the areas of appropriate pay and working hours for employees and on passing on information on the subject of freedom of association.

Shints TN Co. Ltd.

The relatively new factory belonging to our long-standing partner, Shin Textile Solution, has also been able to achieve optimisation in all areas over the past year. Since the improvement of working conditions in the factories is still a continuous process, the production operations were assessed once again as part of a verification audit. Shortcomings revealed in the September 2017 audit relate, for example, to the development of a dialogue mechanism, missing holiday days and reviewing occupational illnesses.

Shints TM

Shints TM is another factory belonging to Shin Textile Solutions, with which Schöffel has been working since 2012. The August 2017 audit revealed just two shortcomings concerning safety at work, one of which has already been rectified.

WHAT IS A CORRECTIVE ACTION PLAN (CAP)?

A CAP, or Corrective Action Plan, is a component of every audit report. It is a table showing a clear overview of the results, each of which is categorised under one of the 8 FWF social standards (p. 26). The CAP also includes realistic, effective and measurable suggestions and guidelines for improvements, including a fixed time schedule.

For example, if attention has been brought to the unusual number of overtime hours in a company, the CAP will record these under the “appropriate

working hours” criterion, with a detailed description of the problem and corrective measures. The CAP is submitted to the producer for processing. The next step is for the producer to integrate implemented or planned improvement measures and photos, which are then checked by Schöffel and discussed together where necessary. The CAP therefore provides the definitive basis on which to work, as well as a progress record for improvement measures.



WHAT HAPPENS DURING A TRAINING SESSION?

One of our long-term goals is to implement a respectful culture of communication in the factories. After all, an open dialogue between employees and the factory management forms the basis for working together on constantly improving working conditions. To ensure that a good communication culture exists, employees need to be kept informed of their rights and the factory management needs to fulfil procedures for processing complaints. These basic requirements are conveyed during the Workplace Education Program (WEP) training, which at least 10% of the workforce must attend to ensure lasting success. Since these training sessions are an important and above all effective tool for strengthening existing improvements and encouraging further ones, Schöffel makes it possible for its producers to take part. A total of 4 producers attended the workshops in 2017.

In addition to these training sessions, various providers (SMART Myanmar, FWF) also offer seminars on specific topics. In 2017, for example, Schöffel's Burmese producers attended a training session on “Age Verification” and a Turkish producer benefited from a workshop on “Syrian refugees in Turkey”.

Nicky Dang, a Schöffel employee and technician, has been monitoring quality and social standards in Vietnam since 2016. Local proximity to the producers encourages personal interaction and therefore ensures more transparency. Schöffel is now planning to develop this positive effect by opening its own office in Hanoi. Nicky Dang therefore joins the team in 2018.



THE FWF COMPLAINTS SYSTEM

Additional reassurance that social standards are being maintained in production facilities.

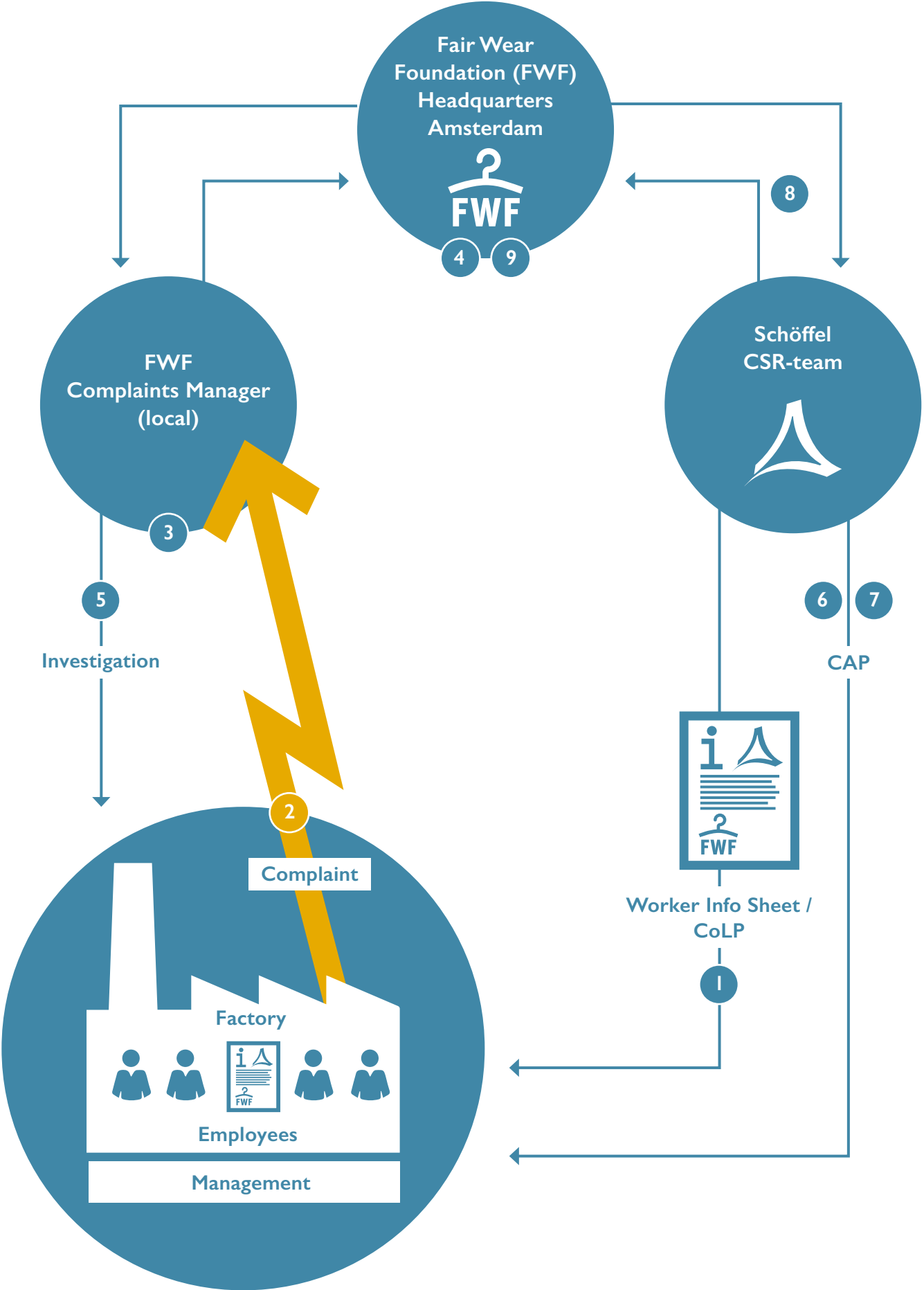
The FWF complaints system gives employees in production facilities the opportunity to make direct contact with an independent body in the event of problems. The contact data of the complaints manager and the Code of Labour Practice (CoLP) are displayed on information boards in an easily accessible place in every company and people are informed about these during training sessions or interviews at social audits.

FWF and Schöffel take complaints very seriously and are committed to improving the situation rapidly.

Once the complaint has been checked, it is reported to the FWF head office in Amsterdam, as well as to Schöffel.

The circumstances are then investigated in detail. The Schöffel CSR team then works out a corrective action plan along with the production partner and the complainant with a view to solving the problem.

The system is available not only to workers, but also to NGOs, associations and partner companies.



COMPLAINTS FROM PRODUCTION EMPLOYEES 2017

The Fair Wear Foundation’s specifications for social standards on site are strict and are closely monitored. An important part of this process is giving employees at the individual sites the possibility of making complaints – anonymously so that they can express their criticisms freely. This is a basic requirement to enable working conditions on site to be improved in a sustainable way. In 2017, the Fair Wear Foundation received four complaints from employees at our producers' facilities in Vietnam. These apply to the following production sites



Code of conduct, local complaints hotline and complaints box are highly visible to employees.

FACTORY 5838

An employee from a company in Vietnam contacted the FWF hotline and reported the violation of the following labour standards: according to his statement, workers are made to work during their lunch breaks, work unpaid overtime hours and are not allowed to work shorter hours if they are pregnant (or are breastfeeding mothers).The workers are also paid a piecework rate, in which the rate per item is so low that wages often have to be increased to meet the minimum wage requirement. Even long-term employees only earn slightly more.The complainant also stated that, because they are scared of losing their jobs, workers dare not reveal the truth about working conditions. Unfortunately, according to the employee, the issues could not be raised with the trade union because the Chairwoman of the trade union holds a management position at the company. The complaints were then assessed as part of a verification audit. Many of the complaints could not be verified. During subsequent discussions between the factory management and employees, almost all points were clarified and solutions were worked out, such as an optimised production planning system to prevent overtime.

FACTORY 5838

Shortly afterwards, there was another call from the Vietnamese factory to the hotline.Two employees stated that staff over the age of 35 were only given the opportunity to sign 3-month contracts at their factory. One of the workers was also said to have been dismissed, because he had written a letter of complaint to the relevant authorities in order to bring the situation to light and to bring about a factory inspection. In addition, the worker was granted fewer days holiday and bonus payments than stipulated in the contract. The complaints were checked and verified. One of the employees concerned obtained a one-year contract. Four out of five other seasonal workers were also given an open-ended contract, whilst the fifth employee found a new position.This means that the complaint was closed to the full satisfaction of all concerned

FACTORY 10014

In March 2017, the following complaint was made to the FWF at the production site: the claimant reported that, after she had handed in her notice, she had not received her annual bonus or her social security benefits. Upon request to the HR department, she had in fact received her social security certificate but no reason was given as to why she had not received any social benefits. During discussions with the FWF, the factory management stated that the bonus is not a compulsory payment and that it is only paid to current employees.They said that the employee had not received her social security benefits as she had been with the company for less than a year and therefore had no mandatory claim to them.The employee obviously acted out of ignorance.As a result, the FWF recommended the introduction of an improved mechanism for dialogue between the employer and employees.The FWF also suggested offering a compromise by paying at least a share of the annual bonus to the former employee.Together with another FWF member, Schöffel went to the factory management with this proposal. Unfortunately, we were not able to obtain any share of the bonus for the employee, since the factory management did not want to give the employee an advantage over the rest of the staff.

FACTORY 10014

In July 2017, a second complaint was made about the Vietnamese factory.This concerned the incomplete payment of the salary of an employee who had resigned.The employee also did not have any proof of the payment of her social security benefits. Enquiries made by the FWF revealed that the incomplete payment of the salary came about because of an unforeseeable administrative expense. A month later, the former employee received her pay, as well as the missing proof of payment from the social security office, which meant that payment for her services could be arranged.

You can find the full reports for each individual case under “Complaints” at www.fairwear.org/resources/?type=complaints



PARTICIPATION IN THE LIVING WAGE PROJECT IN VIETNAM

A living wage project began in early 2017 at one of our largest suppliers in the Thai Binh region, Vietnam.

The project is managed by three FWF member brands: Kjus (LK International), Schöffel and Haglöfs. The aim of the project is to analyse the wage structure, leading to the second step of continuously implementing living wages and strengthening employees' ability to negotiate.

The factory consists of two locations employing a total of just under 3000 workers. For Schöffel, they manufacture pants, taped garments and down garments.

The project so far has been a good learning progress for Schöffel, since challenges arise and require solutions as the project progresses. Contributing factors to the complexity of the project are the large size of the factory, cultural challenges and limited leverage (even combined with other FWF member brands) at the mill. There is also the fact that all this is a brand new experience on top of the day-to-day work at the mill.

Over the past year the project has led to several achievements: Studies have been conducted on a living wage benchmark, through consultation with local staff, relevant Vietnamese contact people and a selected number of workers to estimate living costs for the Thai Binh region.

Consultation with the on-site VN workers' committee (one occasion, hosted by Kjus) about the project, as well as discussions with the factory at a trade show and with the management team.

A target living wage (LW) has been set for the region based on expenses for workers in the region – it was found that 16% are below LW target (but well above the minimum wage for the region) and 84% of workers already receive the set target LW or above.

Meetings among brands every month or 6 weeks to discuss next steps. Next steps and remaining challenges to overcome in this Living Wage Project include: Target wage levels are being re-evaluated, since new minimum wages for the region have been prescribed (early 2018) and the increases in social costs that come with higher wages will also need to be accounted for. The sourcing process needs to be evaluated to see how wage increases can be financed.



THE SCHÖFFEL CORPORATE CULTURE: SUSTAINABILITY IN HR WORK

Hildrun Brendler has been Head of Human Resources at Schöffel for about two years. Her office is on the first floor of the company headquarters, yet she's rarely to be found alone there. There are many different subjects to discuss and, whenever possible, she prefers to maintain a personal dialogue. The same applies to this interview.



Hildrun Brendler, Head of Human Resources

Ms Brendler, Schöffel is run by the seventh generation of the family. How does this affect corporate culture and, in particular, the employees?

Yes, Schöffel is a traditional company with a history going back over more than 200 years. That's why it's important to us that behind our products are people who feel a special connection with what they are doing. This applies both to the Schöffel family and to our employees. This special philosophy is already expressed in the way we interact with one another every day: at the company headquarters in Schwabmünchen, we address each other informally and managers and staff act on an equal footing and behave as a team rather than as a hierarchy. We place great importance on an open discussion culture, in which people can freely express their opinions. There may be

friction sometimes, but in the end common ground is defined. Appreciation, honesty and authenticity are key themes here. This can only happen if there are team players who behave and think in an open and honest way.

How else would you describe the corporate culture?

Team spirit definitely helps with motivation for getting things moving together. Supporting one another on this path is part of our recipe for success. There are also many creative possibilities open to staff, allowing them to take on responsibility and giving them room for their own personal development. All of this encourages cohesion, which also goes beyond the work itself.

As a traditional company, it's important to always keep looking ahead. Is this a set requirement for your employees?

Schöffel pursues the goal of a generational undertaking; in other words, responsible development for the next generation. Tradition forms the basis for this. At the same time, it also requires a future-oriented way of working. The mission statement for all employees is to keep looking ahead. They are supported in this by various offers and measures: we work as part of a learning organisation, which has a number of aspects including support for employees, a feedback culture, management training, family orientation and a strong connection through shared values.

What does your department do to support the working atmosphere?

We carry out regular employee surveys, which give us clarity on any potential grievances, as well as illustrating positive developments. This provides us with some concrete starting points for making further improvements. In the interests of our staff, we follow a holistic and therefore sustainable approach. Schöffel aims for long-standing partnerships – with

our customers and production partners and above all with our employees. Our aim is to give all of them the potential to build on their strengths and make full use of their potential. Whether they are student interns or long-term employees, further training is available to everyone. After all, investment in our employees is a worthwhile investment for the company. The return is evident in target-oriented skilled staff, who are motivated to take the company a step further each and every day.

Ich bin raus – is the company's "I'm outside" slogan a reality or just an advertising slogan?

It's definitely a real guiding principle! Outdoor stands for a certain fascination with nature and activity. Our employees experience this fascination in their leisure time as well and want to develop the right clothing for it. Activity is encouraged at the company. For example, there are Schöffel jogging and spinning groups, company ski weekends and of course our flexitime model, which allows people to take little breaks

during the week as well. People who work hard and perform well need those valuable "Ich bin raus" moments. This is something that we fully accept.

Do sport and health also play a role in the workplace? Some of your colleagues must have other hobbies, other than sport.

Yes of course. Sport as a leisure activity is not a job requirement for us. As a priority, we focus on professional and social skills and making sure there is the right "chemistry" between the company and its employees. It is, however, important to us to pursue the subjects of physical activity and health at work and to raise employees' awareness of this as a preventative measure. In 2017, for example, we organised a health day in partnership with the AOK and a local rehab and fitness studio and we carry out regular ergonomic assessments of our workstations. We have achieved great results with this programme and plan to continue to build on this success.

SCHÖFFEL CELEBRATES 435 YEARS OF PROFESSIONAL EXPERIENCE

435 years of professional experience at Schöffel - an impressive total for long-term employees celebrating their anniversaries this year. The specialist in outdoor and ski clothing thanked them for their particular loyalty to the company and invited a total of 29 employees, including a few former employees, to celebrate their years of service with company managers at the head office in Schwabmünchen. This thank you to deserving members of staff has become a tradition. This year's list includes Ingrid Hiller from Technical Development and Doris Britsch from the sewing line, who are each celebrating 35 years of employment with the company. Gerhard Streitel, In-house Technician, and Monika Wech from the Professional Wear business unit are each celebrating 30 years at Schöffel.

Peter Schöffel, Managing Director of Schöffel Sportbekleidung GmbH: "Our employees are our most valuable asset, since they ultimately play a decisive role, through their commitment and skills, in the quality of our products. As a family company, we aim to provide all of them with an attractive place in which to spend their working lives. Long-term employees are the best proof that Schöffel is managing to live up to this claim."



SOCIAL DAY SUPPORTS PEOPLE
IN POVERTY AND NEED

HAZARDOUS SUBSTANCE MANAGEMENT
INCREASED SPECIFICATIONS FOR
ENHANCED PRODUCT SAFETY

700 items of clothing donated to a good cause – this is the outcome of the social day organised in October 2017.



The students and trainees were kept busy in our in-house shipping department packing donations for the humedica aid association in lots of boxes. The association, which is based in Kaufbeuren, Bavaria, aims to help people who are affected by

disasters or poverty. The items of clothing from Schöffel will be donated to people in need living in Eastern Europe and Benin. Social commitment is an important part of Schöffel's corporate policy. The students and trainees get involved once a year with a social day. The wide range of donations for humedica is made up of items of clothing, which cannot be sold due to small production faults. The students sort the items of clothing according to gender and product group, check they are fully suitable for use, remove all the labels and pack them on pallets ready for shipment. This procedure has been established at Schöffel for many years. It allows products with small defects that are otherwise fit for service to be put to good use, instead of being discarded with an unnecessary impact on the environment.

Sustainability is not just about maintaining social standards. Another equally important subject is known as hazardous substance management. As a bluesign® system partner, Schöffel has been making the Restricted Substances List (RSL) available to its suppliers since 2013. This list names all the banned substances, which should not be used in the production of items of clothing, as well as those that are restricted to a maximum value. The RSL list sets out higher requirements than the EU "REACH" regulations for chemical substances. By regularly carrying out independent sample testing, Schöffel ensures that the stipulated statutory thresholds are complied with. In 2017, 49 models commissioned by Schöffel were assessed by UL (Underwriters Laboratories). In all cases, the values were respected. Schöffel also continued to develop its activities in chemical and environmental management in 2017. This relates to the Manufacturing Restricted Substances List (MRSL): as an expanded RSL, the MRSL not only refers to the product but also to the various stages in the production process. And so Schöffel has carried out an intensive survey with all its suppliers, with the aim of providing clarity on the current use of the MRSL. The survey produced the positive result that more than 80% of suppliers already comply with the specifications in the list. In addition, the outdoor and ski expert informs and supports its producers in lawful and environmentally-friendly operations management, thanks to a comprehensive producers' handbook.

NATURAL FIBRES

The outdoor and ski expert Schöffel produces high-quality, technical functional clothing. The use of natural fibres is minimal, due to the specific functional requirements of the materials, and makes up just 4% of the fibres used in production. The large majority of these natural fibres are used in Schöffel merino underwear. When using animal fibres, Schöffel makes sure they are procured without causing the animals any pain. And so the company obtains exclusively white and grey down and feathers from geese and ducks from certified sources. This ensures that the materials come from sources which do not involve any force feeding or live plucking. Down is a by-product of the food industry. Schöffel also strictly ensures that no wool is used from sheep, which have been subjected to the mulesing process.

AWARDED AS A PARTICULARLY RESPONSIBLE EMPLOYER

"I like working here!" – This is the main idea behind the CSR jobs & companies awards. The awards honour companies that take on responsibility for their employees and the environment. Schöffel has won the special award in the "Our sustainability concept" category. The prize was awarded in cooperation with the German trade journal "Unicum", published by the Handelsblatt group, and the Creditreform group. Schöffel stood out from the competition, particularly in the "Our social and corporate commitment" and "Our new talent" categories and in the special "Our sustainability concept" category. The clothing specialist was praised, amongst other things, for its sustainability product policy and for its measures in terms of personnel development and its long-term approach to the expansion and development of the company.



Johanna Schöffel, Katrin Klug, Adele Kolos

ENVIRONMENTAL MANAGEMENT IN TRANSPORT



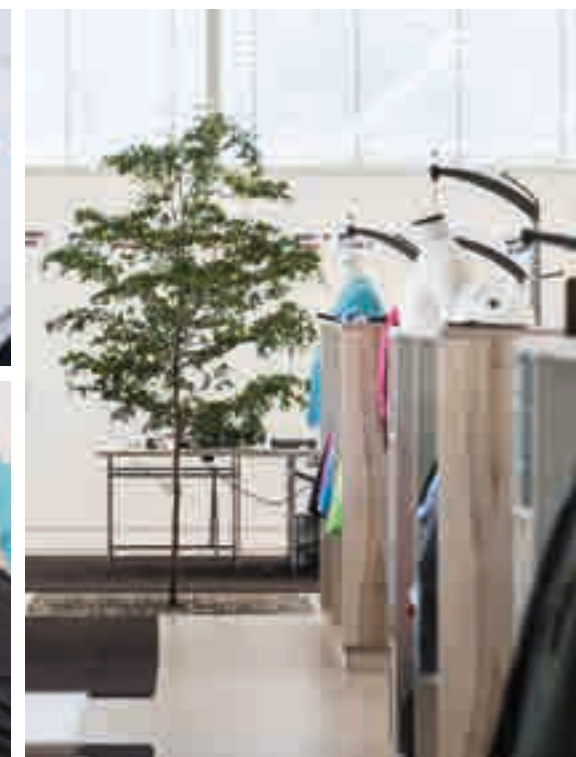
When selecting a logistics service provider in Germany, it was important for Schöffel to find a sustainable partner.



95% of the textiles produced worldwide reach Germany by ship. Some of the remaining 5% were switched from air to rail transport out of Asia in 2017, saving an additional 98.18 tonnes of CO2 emissions.



The majority of goods are supplied "flat packed", which saves on ironing and currently cuts plastic packaging by 20% compared with "hanging" transport.



USING ENERGY MORE WISELY ENVIRONMENTAL MANAGEMENT AT THE SCHWABMÜNCHEN SITE

Schöffel has been headquartered in Schwabmünchen since 1804 – and so it is no empty claim to say that the company is true to its roots. The company has occupied its current head office on the outskirts of the city since 1980 and the premises have continuously been expanded and renovated since then.

In 2011, the largest expansion to date of the production and work facilities took place. An extension of almost 950 square metres uses a modern concrete core activation system for heating and cooling the building. This innovative method exploits the potential of the building's ceiling and walls to store thermal energy and therefore keep the interior at an

optimum ambient temperature. Part of the concept also applies to a water circuit: the concrete core activation draws water from a specifically created well into the company premises. This initially keeps the server room cool and is then fed – several degrees warmer – into the heating system. The water is then directed back to the well. This concept not

only saves on energy used for heating, it also replaces an air conditioning system and therefore saves additional energy. The key feature here is that the water is not used up but stays in the circuit.

At the same time as the extension work, the existing photovoltaic system, which produces about 31,000 kWh of electricity each year, was renewed.

Since 2016, the subsidiary in Schwabmünchen has exclusively been using electricity from regenerative hydropower from the regional energy supplier LEW from Augsburg. The Schöffel-LOWA own retail stores also use electricity supplied by LEW natural sources – a service from which franchise partners can also benefit.

In 2016, the new Development Centre was opened following extensive renovation work to the former warehouse.

Covering an area of more than 600 square metres, the centre includes 26 modern workstations at which the Product Management, Design and Technical Development departments work together on developing future collections. The Development Centre has an open-plan atmosphere with rooms flooded with natural light from large windows and skylights. Lounge corners known as “coffices” make it possible for employees to plug in their laptops and work in a relaxed atmosphere so that they can achieve the best results. Mountain scenes on the walls and a tree planted in the middle of the building ensure the outdoor theme is always present and add to the working atmosphere.

GOALS

WE ACHIEVED IN 2017

Schöffel pursued its 2017 goals with a great deal of commitment and predominantly with success. One positive result is that more than 97% of the production volume comes from factories, which have carried out a social audit or are in low risk regions.

GOALS	MEASURES IMPLEMENTATION
Continue the successful implementation of CoLP (Code of Labour Practices) in the supply chain by integrating new producers in the system.	As the FWF code for social working conditions, the CoLP builds the foundation stone for our cooperation with all producers. It was successfully implemented by all nine new producers in 2017.
In 2017, at least 95% of the production volume should be procured from factories that have undergone a social audit and work actively on implementing improvement measures or come from low risk regions.	In 2017, Schöffel procured more than 97% of its production volume from factories, which had been assessed by social audits within the past 3 years and are therefore working on continuous improvement measures. In 2017 alone, 18 producers were audited, at which Schöffel manufactures 62% of its production volume.
Keep working on and resolving outstanding corrective measures from audits.	Thanks to a continuous dialogue with its producers, several outstanding Corrective Action Plans (CAPs) were concluded in 2017. For the remaining CAPs, improvement measures were introduced, which will be checked during future audits and on-site visits. In order to consolidate the optimised processes and working conditions, nine training sessions are planned to take place in factories in 2018.
Develop preventative measures based on audit results and complaints received.	In the past, personal on-site visits have strengthened our respectful cooperation with our producers. This trusting interaction is an important basis for implementing corrective measures rapidly and efficiently. In 2017, personal visits were made to 25 factories supplying a total of 85% of our production volume.
Motivate other producers to take part in the FWF Workplace Educational Program (WEP).	The Workplace Educational Program is offered by the Fair Wear Foundation, which supports businesses and factories in keeping workers informed of their rights. In 2017, four factories took part in the WEP. Schöffel was also able to motivate its producers in Myanmar to take part in FWF workshops on communication and age verification. The large majority of Vietnamese producers also took part in a supplier seminar on the introduction of complaint systems.

GOALS	MEASURES IMPLEMENTATION
Regular internal training sessions on the subject of CSR.	Since sustainability always has an effect on the way the entire company is run, rather than relating a certain section, each new employee at Schöffel is trained in the subject of sustainability. Existing employees – from trainees to sales staff on the shop floor – are always kept informed about what's going on behind the scenes in the CSR department.
Development of cooperation with competitors at shared producers.	A sustainable change to the entire clothing industry can only take place through a close allegiance between all the companies involved. That's why Schöffel maintains a permanent exchange with other FWF members, in terms of consultancy, organisation and joint projects. For example, a Living Wage project was introduced in 2017 with two competitors and the FWF. This project may serve as an example and will be continued in 2018.
Integration of the new producer assessment system in the in-house product data management system.	Unfortunately, integration in the system was not achieved in 2017 due to the internal switch to a different supply chain system. The producer assessment was, however, optimised and has developed into a successful procurement tool. The tool makes it easier to talk personally with the producers and gives us more transparency in our reciprocal exchanges.
Launch of a “Living Wage” project in Vietnam.	In 2017, Schöffel took part in two successful project meetings. Discussions on the project status with the two other brands involved are ongoing. The future strategy is also being planned together. The complexity and explosive nature of the subject requires a long-term approach, so that Schöffel is in a strong position to take an active part in managing this pioneering process.
Production of the baseline and a roadmap for the Partnership for Sustainable Textiles.	Both of these required documents are produced and handed in by Schöffel. They provide information on social standards and hazardous substance management at Schöffel.



OUR OBJECTIVES FOR 2018

Sustainability and social commitment are a continuous process for Schöffel. This means that our first priority is not the achievements themselves, but the efforts made to aim for continuous improvement. And so Schöffel has long since named its next “peaks” for 2018.

- Introduction of a new onboarding process for enhanced transparency in the supply chain.
- Maintaining the high quota of 95% of the production volume from factories, which have carried out social audits within the past 3 years or are situated in low-risk regions.
- Development and implementation of preventative and corrective measures based on audits and complaints received.
- Opening of a Schöffel office in Vietnam and creation of a training concept for Vietnamese technicians with regard to implementing social standards in the factories.
- Intensified participation by producers in the FWF Workplace Education Programme.
- Regular internal training sessions and introduction of a CSR week at the Schwabmünchen site for enhanced awareness of sustainability in the individual departments.
- Participation in various CSR projects and enhanced cooperation with competitors at shared producers.
- IT system integration of the new producer evaluation system.
- Continuation of the Living Wage project in Vietnam.
- Production and publication of a baseline and roadmap for the Partnership for Sustainable Textiles.

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Errors excepted.

