



## PYUA SOCIAL REPORT 2017

Reporting period is the financial year

January-December 2017

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## ABOUT PYUA

Since 2008 we create innovative products protecting people from harsh weather conditions. Located in Kiel, Northern Germany, directly at the shore of the Baltic Sea, we are used to the power of the elements.

From the beginning on sustainability has been the core of the brand. We design and develop functional outerwear for people like us – people who respect nature and want to buy ecologically as well as fairly produced garments without giving up function, fun in sports and style.

PYUA is the only functional clothing company for outdoor, sports and lifestyle clothing, which has launched a globally unique recycling system for its garments together with leading recycling companies. All our products can be conveniently dropped off at any clothes donation bin and will automatically be returned to our so called „Closed-Loop-Recycling“. If a PYUA jacket ends up in a donation bin after many years, it will be picked out by hand for further processes. In the end this old piece of clothing is reprocessed into a new piece of PYUA clothing. This doesn't only reduce waste and minimize energy consumption, it also reduces the carbon footprint and hence benefits the environment.

We have strict sourcing rules for fabrics and trims which are either made in Europe or need to have at least a bluesign certificate if coming from Far East. We only use already recycled fibres, we only choose materials that are recyclable again. All our products are free of PFOA and PFC without exception, all our natural fibers need to have the GOTS certification.

PYUA sees social responsibility as one of the most important components if we talk about a sustainable production and manufacturing process. PYUA cooperates with FWF to verify and communicate our standards and possible improvements, we are member of Fairwear Foundation since 2014. During these years we always reached the status "good", nevertheless we kept on improving our internal processes continuously and worked hard to reach a 100% transparent supply chain.

Our concept and products have been awarded several times, for example by winning manifold ISPO Product Awards where aspects of eco & social responsibility are always part of the assessment. In 2017 we were super happy to win the Green Tec Award and the SIS ECO Award for our consequently realized sustainable brand set-up.

## 1. SUMMARY – GOALS & ACHIEVEMENTS 2017

In 2017 PYUA kept on sourcing exceptionally in low risk countries - these being countries within the European Union.

**100%** production in low risk countries within the EU

We have made fundamental improvements in establishing a completely transparent supply chain in garment making. Without exceptions we know all subcontractors who carried out production processes for PYUA products in 2017.

That's one reason why we unfortunately had to „pause“ the corporation with a longterm agency in Portugal as we couldn't reach the goal of identifying all subcontractors with them.

The textile sector in Portugal is a patchwork of small highly specialized factories. Processes such as printing, embroidery, laser cutting and welding are often done at other locations, or capacities are not sufficient to do everything inhouse. This and the fact that subcontractors often change from season to season, led to the result that we could not control our supply chain in detail in our growing structure.

By 2018 we will re-start with our agency in Portugal, with stricter rules and standardized subcontracting and transparency requirements from the beginning.

**100%** subcontractors identified

Also, we have found a new partner in Portugal to realize a new product group for PYUA in 2017 - cotton t-shirts.

This factory is not only well experienced in this kind of product, they also have all needed production processes inhouse, as well as a joint venture with a circular knit mill where we sourced the main materials.

We developed a GOTS program as this is the most reliable and comprehensive standard for cotton. It does not only control the cultivation of the cotton, but as well the manifold washing and dying processes until printing the ready product in the end. Integral parts of



this standard are also working safety requirements and social responsibility aspects.

End of 2016 we started a close corporation with the buying office Delta Sport Handelskontor in Hamburg and this partnership came into effect in 2017.

We are happy to have a strong and well experienced partner now for handling the entire part of ordering and invoicing procedures. It ensures the financing of buying our products and enables us to give pre-payments to our suppliers, so they can cover material cost and part of the wages in advance. Before it was not always possible for PYUA to do so.

We are also taking the challenge to train Delta Sport regarding FWF facts by sharing our know-how. We want to implement parts of the „PYUA DNA“ into Delta Sport processes, as this could have an effect on their other customers and their sourcing strategies in the future.

Since 2017 there is a new person responsible for all FWF issues at PYUA.

Before FWF was combined with all matters of sustainability at our R & D and material sourcing department, while the focus has been mainly on ecological sustainability. Since last summer our Head of Product took over everything, which gives us the opportunity to implement the CSR matters into our sourcing strategies and decisions more easily than before, as she visits all our production locations regularly, is in close contact with all suppliers and decides where which products and programs will be developed and produced.

The split of ecological sustainability and social responsibility also leads into the fact, that both parts get more attention and focus. The result is that several new projects got started, that will be finished and come into effect in 2018.

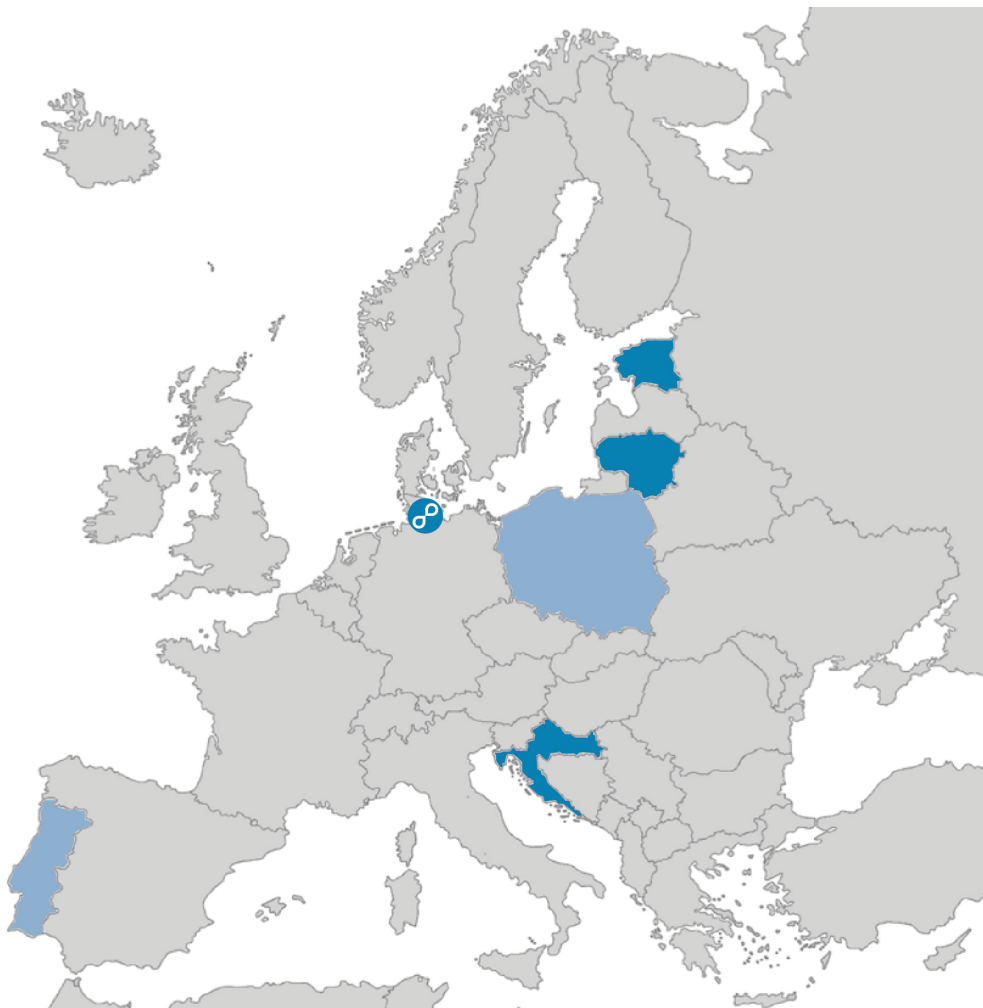
The FWF tools helped us a lot since joining Fairwear in 2014. Being a small company and still working like a start-up with only 10 staff members in a flat hierarchy means we did not reach perfection in our management systems, but we are working step by step and are always trying to improve in the same way as we expect this from our partners.

## 2. SOURCING STRATEGY

### 2.1 Sourcing Strategy & Pricing

#### a) PYUA produces in low risk countries within the EU without exception.

State-owned and/or governmental entities are strong in most member countries of the European Union. There are strict laws regarding health and safety at work, prohibition of discrimination and guarantee of worker's rights. ILO labour standards are implemented in national laws and are controlled regularly by governmental organizations. Freedom of association and the right to collective bargaining is guaranteed by national laws, trade unions are active in all production countries and there are collective labour agreements effective in all factories producing for PYUA.



For our small team it means that the efforts on controlling our suppliers is less labour intensive. PYUA products, which are highly functional clothes with a lot of technical details, require specialized and well experienced workers who are usually getting paid significantly higher than the minimum wage.

There are still countries even within the EU where the standards are not high enough and which are categorized by FWF as „high risk countries“, as e.g. Romania or Bulgaria, so PYUA decided not to work within these countries.

Nevertheless we are aware that even outside of Europe there are many production factories doing a very good job not only regarding quality and innovative workmanship, but also working hard on ecological sustainability, on implementing human rights into working standards and improving labour conditions for the local workers, often under very difficult circumstances. We think that a „Eurocentric“ view, acting on the assumption that only in Europe there can be fair garment production, is insufficient. We take on our responsibility to try to improve working conditions also outside of our European bubble and will take the challenge to start production in Vietnam in 2018.

**b) PYUA works with as few production locations as possible.**

We want to offer our partners reasonable order amounts. Due to our low number of pieces, it would make no sense to split our production order to many different locations. Moreover, it is an important approach to become a relevant customer for each factory in order to increase leverage on improving working conditions.

Splitting our orders to many different locations also would increase the organizational work for our product team where time and manpower is limited.

We nearly don't have suppliers being strong in producing the same product group, all of them are specialists for a certain type of processing and workmanship. As we are growing and capacities especially in sampling rooms are limited, we will expand our pool of suppliers in the medium term, but basically we have and will keep having main suppliers for certain products.

**c) PYUA is working on establishing long-term partnerships with our suppliers.**

Due to the fact, that PYUA exists only for 10 years now, and had several ups and downs during this time, it was not always possible to achieve that. Some corporations were terminated during the years, many suppliers joined the „team“, and we have a lot of partners in kind of an on-and-off relationship. But with several producers we have already been working for many years. Business is built on very open communication, on mutual trust and often friendship.

Our products require a lot of work during development because of high function and

performance requirements, special design and workmanship. It helps a lot to work with well-known people who are used to our products and speak the same „language“ product-wise as we do. It takes time and efforts to reach this point, so longterm business is not only a matter of trust and responsibility, but makes all processes more smooth and avoids misunderstanding and problems.

**d) Several points are considered when PYUA starts business with a new production partner.**

There aren't endless highly innovative factories in Europe who have the skills and experience, technical conditions and special machines to produce our products. So we have a limited selection of producers.

Most first contacts are made through recommendations of friends working in the garment business at other brands or through information of material suppliers. Besides quality standard, technical opportunities and specialized processes, working environment and conditions are an important part to discuss. We are specifically searching for suppliers who have experience with FWF because of other member customers or with similar standards and/ or organizations. We prefer suppliers who already went a big part of the track towards fair and social responsible production, or who are open, pro active and willing to comply to these matters. We also evaluate the locations regarding transport routes and logistics options for both environmental reasons and accessibility, as we often travel to visit our suppliers.

Last but not least there are soft facts, not less important, just as - how do we feel with the people we meet?

Right now we are working on a standardized guideline which describes in detail what qualification and conditions a production location has to fulfill to be allowed to produce our products. An important part will be compliance on human rights and labour standards. This guideline is meant to be a summary of instructions for subcontracting and for corporation with intermediates as agencies or buying offices in the future and will build an obligatory part of our sourcing terms and conditions.

**e) As an ecorrect premium brand, price is secondary to quality and performance and the ecological content of our products.**

Nevertheless, we also face pressure to offer our customers reasonable prices and conditions.

The pricing is done in close corporation with our suppliers. At the start of a new collection we give realistic target prices for each product, after the 1st proto making our suppliers give us first quotations back.

From this point pricing is an integral part of the product development. If the target price and the quotation differ too much, we are willing to discuss amendments on design and workmanship to reduce labour minutes or change of materials to increase the efficiency of a product and lower the production cost. If this cannot be achieved by keeping the idea of the product regarding style, details and performance, we discuss about higher quantities that could lower the cost per piece. Should all of these efforts do not come to a result satisfying both sides, we discuss internally at PYUA if we are able to adjust the target price by rather lower the margin or increase the retail price for certain styles. These flexible targets reduce the price pressure on our suppliers who know that we never fight for cents.

## 2.2 Organisation of the sourcing department

The advantage of a small company is that several departments can be combined in one person. Our Head of Product is not only working on the concept, structure and product range of our collection, she is also doing the product development during sampling and placing programs to our different production locations. In 2017 she took over all social responsibility and FWF issues which were combined with ecological sustainability sourcing topics in our material department before.

Our Head of Sales not only handles all matters of sales, but he also does our purchase orders for production.

Our CEO is deeply involved in all decisions regarding supplier relations and has the final say.

When deciding which products will be developed together with which supplier, we always build reasonable and suitable programs regarding capacity, technical opportunities in production, quality standard and share of materials.

We hardly have any suppliers that are strong in producing the same product group, most of them are specialized for a certain product range. So there is no pitch of equal suppliers fighting for orders. Even the price range of our partners is comparable, that's why this is never the basis for our decisions.

After the pre-sales period we know about the sales figures. General Management, Head of Sales and Head of Product decide in close corporation which styles will make it into production. We consider our customers needs regarding re-order possibilities, our target of reducing the risk of stock and material leftovers and the goal of giving

reasonable order quantities to our suppliers. Finding a satisfying solution for all sides in this area of conflict represents the most challenging part of the process.

## 2.3 Production cycle

PYUA designs and develops two collections per year. Since foundation of the brand we do a winter collection which was growing a lot during the last years. Since 2016 we also do a summer collection on a much smaller basis.

Both collections offer sports and outdoor garments for men and women, in winter season we focus on skiing garments.

The development and production of functional outdoor products requires proper planning and needs to start very early due to long fabric lead times for laminated performance materials. Scheduling is always based on the time our partners within the supply chain need for their processes. We ask for lead times at fabric and trim suppliers as well as our production locations. Based on their information and our needed delivery dates for samples and production we are building the timeline for every season. We consider some additional time for unexpected situations and delays as well as for local events like Chinese New Year (affects material leadtimes) and summer holidays in Portugal and Estonia, where the factories are closing for several weeks.

We start working on a new winter collection two years before the products will be delivered to the shops, so every partner in our supply chain has enough time to prepare and work on their relevant processes. PYUA takes a high risk by starting so early, because information to base on the new concept, as sales figures, trends and innovations is little at that time.

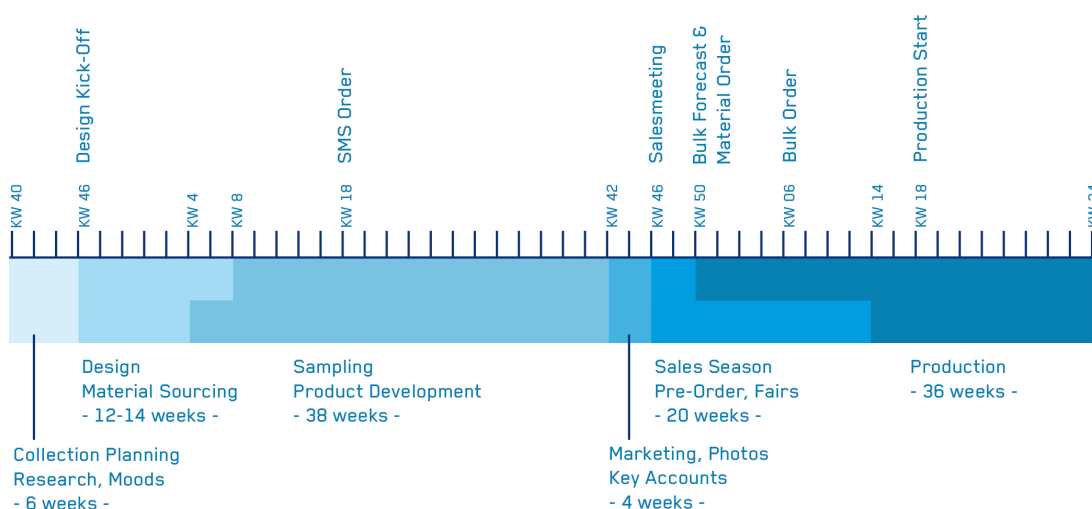
Nevertheless we cannot change this procedure in order to make sure that all partners involved can give their best for our products - without the pressure of harsh deadlines. This reduces the risk of excessive overtime as well as seasonal short-term contracts at peak seasons and ensures a higher standard of working safety during production processes.

Also, we book the fabrics before placing bulk orders to our suppliers. Especially in winter season, where Chinese New Year blocks nearly one month of production time, we are forced to book at least the greige (fabric before dying and finishing) already before Christmas.

Again we take a high risk as at that time we do not have any pre-orders from customers

confirmed, we just have collected some feedback from first presentations at our key accounts. Based on this feedback, our experience and feelings for the certain styles and colors, we calculate a forecast and confirm fabric quantities.

In case of a delay of materials it can be agreed to switch from sea freight to air or sea/air transportation. We don't prefer this solution because of ecological reasons, but taking pressure from production has a higher priority for us.



Another tool to take pressure from production are priority lists that are provided for every order. Herewith the suppliers get the information about which styles and programs have stricter delivery dates as others early in the process. In case of any unexpected delay, they are able to react fast and independently based on reliable information.

## 2.4 Supplier relations

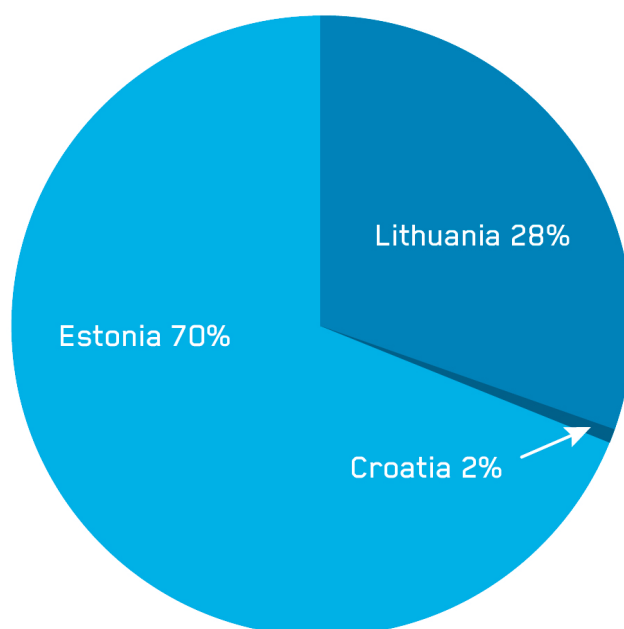
Our attitude towards our suppliers is not like „we are always right“ or „customer is king“ - we see us as partners on eye level, aiming for the same: to design, develop and produce highly functional, cool looking outerwear styles that have as less impact on the environment as possible and that don't exploit anybody along the supply chain.

We are establishing long term relationship. With some suppliers we work already for many years, with others we just started. But with everybody we have a good feeling, a trustful collaboration, an open communication and bigger plans for the future.

In 2017 we only really worked with our two main suppliers, one for taped garment in Estonia, and one for flatlock products in Lithuania.

As mentioned earlier we had to pause with our long-term agency in Portugal to re-fresh this corporation in 2018 with new basic requirements and opportunities.

We had a small production running in a nice and small Croatian production in 2017, but both sides found out that the current set-ups were not matching perfectly at that time. Together we decided to stop further developments for now, but stay in regular contact for future projects.



We started with a new partner in Portugal for GOTS cotton t-shirts and we re-started with a well-known partner in Poland after a few years without effective orders.

At both locations we successfully finished the sampling process for winter season 2018 and bulk orders are placed in 2018.



## 2.5 Integration monitoring activities and sourcing decisions

Our way of close collaboration based on trust and communication makes regular visits mandatory.

The product team visits all production locations generally two times a year. It is not only easier to discuss important things face to face, it also builds mutual understanding for the rest of the year when communication mainly goes via email.

**100%** production locations visited in 2017

The suppliers in Portugal and Poland where we just started were already visited before placing the sampling order.

Part of every visit is the factory tour. Even if we know some factories by heart by now and would find our way through the sewing lines with eyes shut.

We walk through all the different areas such as warehouse, cutting, sewing lines, packing and sample room. Our team takes special care on several points referring to the FWF health and safety checklist, for example emergency exits & equipments as fire extinguishers, safety equipment at working stations as gloves in cutting etc., and general organization and tidiness.

During every tour we check if the workers information sheet including FWF complaints contact is (still) displayed at a highly frequented place.

Country	% of total FOB	signed questionnaire & CoC	Workers Information Sheet	Visited in 2017	Supplier since	Complaints	Subcontractors
Estonia	70%	yes	yes	2x	2010	no	no
Lithuania	28%	yes	yes	3x	2014	no	2 factories for special process
Croatia	2%	yes	yes	1x	2016	no	no
Poland	only sampling	yes	yes	1x	2009	no	no
Portugal	only sampling	yes	yes	1x	2017	no	no

We additionally put a strong focus on the atmosphere - we try to figure out if the workers seem to feel comfortable at their factory and working place by keeping an eye on:

- the environment: in some factories there are plants between the sewing lines, the walls are painted, the workers bring personal things to their station, they are allowed to listen to music while working etc.

- the mood of the people: how is the communication between the workers and the management? Even if we do not speak the local language and do not understand what they are talking in detail, we can discover a lot from the tone. Are they laughing together, is there a warm hearted interaction visible?

All these aspects can not be rated in points or be given by a rule or requirement, but they show a lot of the workers situation and the general working environment.

### 3. COHERENT SYSTEM FOR MONITORING & REMEDIATION

We don't do audits in low risk countries. We also did not receive any complaints through FWF, and there were no CAPs to follow-up or trainings that took place.

From 2018 on there will be a standardized annual factory check up for all existing production locations. We will check all the health and safety issues provided in the FWF checklist more detailed and in writing. Additionally all factory data mentioned in FWF questionnaire for new suppliers will be reviewed and updated where applicable. The goal is not only to have up-to-date information about all the production locations, but also to talk about and remind on all social responsibility topics more insistent.

When visiting a new production location the matter of CSR and FWF is one of the most important parts of the meeting anyway.

We inform our new partner about our membership and the general work and principles of the Fairwear Foundation. We explain what requirements this includes, what actions it takes for us and for them.

Our experience is that nearly all suppliers in Europe are very open and interested, compliance and transparency is never a problem. Often they already have experience with FWF or similar standards.

## 4. COMPLAINTS PROCEDURE

We didn't receive any complaints in 2017.

The workers information sheet is posted in all production locations. This is regularly checked by our product team during visits. The workers information sheet informs about the PYUA membership at FWF in local language. It contains the contact details for complaints at FWF, where workers can inform about overtime or cancelled holidays or other problems regarding workers right related to PYUA orders.

If there would be a complaint we would get informed by FWF about the case. We would then try to figure out what has been the reason for the problem. If it should be discovered that we were responsible because of improper planning, changes at short notice or similar reasons, we would re-check our processes and strategies even more to avoid such consequences in the future. For all other causes, we would discuss with suppliers how the situation could be improved to prevent it from happening again.

## 5. TRAINING & CAPACITY BUILDING

### 5.1 Activities to inform staff members

All of our current 10 staff members are well informed about our FWF membership. All newly employed people are informed during their first weeks of joining the PYUA-Family, how detailed depends on their position.

### 5.2 Activities to inform agents

Since 2017 we are working in a very close collaboration with our buying partner Delta Sport. As they took over a lot of communication with our suppliers and also the follow-up on production timeline, the topics of social responsibility and FWF requirements are discussed very often.

Delta Sport hired a CSR manager last summer to re-check also their internal processes.

### 5.3 Activities to inform manufacturers and workers

FWF membership is part of every meeting with our suppliers. For CSR issues we have direct communication to all production locations, even if these are mainly handled by agencies or buying offices.

During visits it is regularly checked if the workers information sheet is posted in the factory.

## 6. TRANSPARENCY & COMMUNICATION

PYUA publishes the results of the annual Brand Performance Check on our website, free to read for everybody.

It will be the first time for PYUA to release a Social Report for 2017.

Our FWF Membership is part of the brand presentation at every salesmeeting, which takes place twice a year to present the new collection to our sales representatives, marketing partners and special guests.

## 7. STAKEHOLDER ENGAGEMENT

We focus on our FWF membership and are using a lot of tools FWF provides to support its members with information, such as country studies with risk assessments, articles about several topics as wage or health and safety issues as well as instructions to assess the quality of audit reports.

Because of our membership we have the chance to meet other FWF stakeholders such as NGOs and other member brands - a lot of very nice people are fighting for improvement of working condtions, many with a lot more experience than we have right now.



If you have questions or want to learn more please contact  
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