

# Social Report 2017

January to December 2017



[www.sprayway.com](http://www.sprayway.com)



[www.mountain-equipment.co.uk](http://www.mountain-equipment.co.uk)



[www.ronhill.com](http://www.ronhill.com)



[www.hillyclothing.co.uk](http://www.hillyclothing.co.uk)

Start date membership July 2012

## Contents

<b>Summary: goals &amp; achievements 2017 .....</b>	<b>6</b>
<b>1. Sourcing strategy .....</b>	<b>7</b>
1.1. Sourcing strategy & pricing.....	7
1.2. Organisation of the sourcing department .....	7
1.3. Production cycle .....	7
1.4. Supplier relations .....	8
1.5. Integration monitoring activities and sourcing decisions .....	8
<b>2. Coherent system for monitoring and remediation .....</b>	<b>9</b>
2.1. China .....	9
2.2. Indonesia .....	9
2.3. Hungary/Ukraine/Serbia.....	10
2.4. Vietnam.....	10
2.5. General Excessive Overtime and the living wage.....	10
2.6. External production.....	10
<b>3. Complaints handling .....</b>	<b>11</b>
<b>4. Training and capacity building.....</b>	<b>11</b>
4.1. Activities to inform staff members .....	11
4.2. Activities to inform agents.....	11
4.3. Activities to inform manufacturers and workers.....	11
<b>5. Information management.....</b>	<b>12</b>
<b>6. Transparency &amp; communication .....</b>	<b>12</b>
<b>7. Stakeholder Engagement.....</b>	<b>12</b>
<b>8. Corporate Social Responsibility.....</b>	<b>13</b>



## Summary: goals & achievements 2017

2017 saw OSC Ltd complete five years affiliation to Fair Wear Foundation (FWF). We are proud to say that we have continue in Leader status after a BPC rating of 76 and auditing over 90% of our supply base. In 2017 we audited five factories, of which three were joint audits with other affiliated brands and one was a FWF verification audit. Following each audit we completed the Corrective Action Plan (CAP) and have made improvements for the staff in the factories we work with.

In 2017 we jointly collaborated with nine other outdoor Brands in respect to nearly 50% of our supply base. We will look to increase this collaboration throughout 2018.

In 2017 FWF also carried out Workplace Education Programme (WEP) in three of our factories. The factories concerned reported back that both management and workers found it very informative and very worthwhile and would be happy to have follow-up training in the future.

In 2017 there was one worker complaint received from a factory were we have a joint collaboration with another FWF Brand. The actual complaint has been resolved, however there are further discussions with management and unions regarding the initial complaint.

In 2017 we continued our sustainable strategy and obtained signed REACH (SVHC's) declaration from 97% of our supply base. We are continuing the dialogue with the other 3%.

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

*"2017 was a year of unprecedented growth for OSC across all our brands. We have had to work very closely with our suppliers to ensure that quality in all areas was maintained. The fact that the FWF code of labour practice is a central part of our supply chain management has helped to ensure that the working conditions across our supply base have continued to improve. Looking forward we are now planning to consolidate our production with partners who have proved that they can look after their staff well whilst delivering the great products that we need, when we need them"*

# 1. Sourcing strategy

## 1.1 Sourcing strategy & pricing

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

We source approximately 88% of products from Asia and 12% of products from other countries including: UAE, Hungary, Ukraine, Serbia for garments and Portugal, Northern Ireland and South Africa for socks. We use European sources for our GORE-TEX® products.

We are looking to increase our presences in Vietnam over the next two seasons. We are keeping our options open in Myanmar with only one factory. Concerns over ethical issues and the Rohingya situation has curtailed further development in this country. We continue to keep to our overall sourcing strategy of using factories that are owned by overseas companies, who currently or previously produced in China and therefore have the history and experience of complying to and respecting human rights and will work with us to improve the conditions and wage levels for all workers.

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

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

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

We visit most of our suppliers once a year. Our biggest suppliers are visited two times per year. We have business relationships of over six years with 70 % of our supply chain.

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

## 1.2 Organisation of the sourcing department

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

## 1.3 Production cycle

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

Following on from the Sales Launch for each season there are road shows, trade fairs and individual presentations that take place with our customers where they are given information relating to cut off dates for buying meetings and product delivery dates.

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

We place bulk orders with our factories to an agreed lead times of around four to five months.

### **1.4 Supplier relations**

In 2017 we commenced working with one new factory based on our sourcing criteria which is; quality, price, capacity availability, communication, factory ownership, location and Corporate Social Responsibility (CSR). At the same time we terminated two suppliers in an effort to consolidate our supply base. Sourcing and buying directors communicate this to the factories concerned.

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

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

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

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

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

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

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

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

### **1.5 Integration monitoring activities and sourcing decisions**

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

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

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

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



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

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

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

## **2. Coherent system for monitoring and remediation**

In total, OSC worked with forty factories in 2017

### **2.1 China**

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

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

The most common issues raised are working hours and salary level. FWF has a target for all workers to be paid the living wage, but as a minimum for all workers to be paid more than the minimum wage. We have found that in all our audits, the workers in our factories are paid more than the minimum wage, but less than the living wage. In 2017 the average wage increase for the workers in our manufacturers was 10%.

Health and safety issues are also a large factor of the audits and to-date the factories have addressed any serious issues raised immediately once the issues have been brought to their attention. We have actively increased our dialogue with other outdoor brands affiliated with FWF which has culminated in us working with nine Chinese factories where other FWF affiliates source their garments, in these cases we have worked together with the factories on the CAP.

### **2.2 Indonesia**

In Indonesia we deal with one factory, who we have worked with for eight years. They were audited in 2015 and the result of the audit was very positive. OSC represents 3% of their total turnover in 2017. The Ronhill buyer visits this factory once per year. The Code of Labour Practice (CoLP) information board is clearly visible on their notice board.

We are currently reviewing our sourcing strategy around globally positioning and may drop this factory due to location and this has resulted in us deferring any development of the FWF FoA Protocol initiative.

### **2.3 Hungary/Ukraine/Serbia**

OSC buys from one manufacturer whose head office is based in Hungary along with factories in Ukraine and now Serbia. The OSC garments are manufactured in all three countries. We represent approximately 50% of the business of this supplier. The factory in Ukraine was audited in early 2013 and again in 2015 as part of a FWF verification audit and we use the CAP for all improvement discussion. We will audit the Ukraine factory in 2018 in collaboration with another outdoor FWF affiliate.

There are minimum wage, average wage and best practice wage levels in Hungary, Ukraine and Serbia. The factories pay above the minimum and average wage levels and below the best practice level. They do not work any overtime and they were visited twice in 2017 by our product team. A CAP review was carried out during those visits.

### **2.4 Vietnam**

We are currently working with two factories/suppliers in Vietnam. One is Taiwanese owned and the other is Korean owned. Both Factories were audited by FWF in 2016. Both were visited in 2017 and during the visits the CAP's were reviewed. Excessive working hours, days worked along with severance allowance not being paid and social insurance books withheld are among the main issues the audits have highlighted. All of which are being discussed with the factory.

We are actively looking at one possible new supplier in Vietnam who is affiliated to another outdoor FWF member. Potentially this source could reduce our supply base by six over the next four seasons.

### **2.5 General; Excessive Overtime and the Living Wage**

Excessive overtime, the living wage and working more than 7 days without a rest are the three main issues that are a recurring challenge in most of the factory we have audited. Whereas we believe all our factories are paying above the minimum wage and we are encouraging them to increase step by step towards the living wage. We also are aware that in peak season there is pressure on the factories to work above the 60 hour guidelines (maximum 36 hours a month in China) along with only working 6 days before a rest day.

In 2017 we have commenced an analysis through factory wage sheets on these three issues with our top ten suppliers, who supply 76% of our product. We are looking at trying to increase the remuneration of the workers at the bottom of the wage ladder along with reducing overtime and allowing one day off in seven even in the peak season.

### **2.6 External production**

#### **Oboz**

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

#### **Zempire**

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

### **3. Complaints handling**

We have received only one general complaint in 2017 from the unions in Greatman Myanmar.

The reason for the complaint was difficulty understanding the bonus system, psychological abuse and locked doors. In a joint initiative with another outdoor FWF affiliate we helped organise a meeting between the TW buying office, factory management and Unions. Chair of the meeting was the FWF country manager. The meeting was positive and issues were resolved. However there will be follow up meetings between all parties to make sure any further complaints are managed in a timely manner.

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

### **4. Training and capacity building**

#### ***4.1 Activities to inform staff members***

Each brand has a monthly meeting along with a monthly management meeting at which FWF is a permanent item on the agenda.

We have our FWF affiliation posted on our relevant brand web sites and product catalogues.

Every quarter we hold a general staff meeting. Once per year at one of these meetings there is a FWF presentation to our entire workforce.

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

Every member of staff in the Hyde office has been given the FWF CoLP leaflet.

#### ***4.2 Activities to inform agents***

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

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

#### ***4.3 Activities to inform manufacturers and workers***

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

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





factory agreed to comply with our request. We have asked FWF if they are prepared to print out CoLP cards for the Brands to call off and distribute. As yet we haven't had a definitive answer.

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

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

## **5. Information Management**

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

In addition we have implemented a system to update the CAP every six months for any factory that are not visited. This means that every supplier CAP is updated at least twice per year unless the objectives are critical and need addressing as a matter of urgency.

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

## **6. Transparency & Communication**

All our brands state on their websites that they are members of FWF. We also include biannually the FWF logo in our brand catalogues/work books. As OSC has FWF leader status we included the FWF logo on our hang tags from autumn 2017.

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

This is our sixth Social Report, which will be posted on our web site along with our 2017 BPC.

## **7. Stakeholder Engagement**

OSC have engaged with the EOG in 2017 with regard to the SOMO Myanmar report along with other Outdoor Brands. However we mainly make use of the resource on the FWF web site to inform us of country updates.

## 8. Corporate Social Responsibility

### Down Codex

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



### 'Twenty Things to Do'

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



### John Muir Trust

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



### European Outdoor Conservation Association (EOCA)

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



### Community Action Nepal (CAN)

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



### Plas y Brenin – The National Mountain Centre

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



### Sport Scotland Avalanche Information Service (SAIS).

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



### British Mountaineering Council (BMC)

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



### Team Ronhill

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



### Dartmoor National Park

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



### Britain on Foot

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

