

# Social Report 2018

January to December 2018



[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

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## Summary: goals & achievements 2018

2018 saw OSC Ltd complete six years affiliation to Fair Wear Foundation (FWF). We are proud to say that we have continue in Leader status after a BPC rating of 77 and auditing 93% of our supply base. In 2018 we audited 13 factories, of which four were joint audits with other affiliated brands and two were FWF verification audits. Following each audit, we completed the Corrective Action Plan (CAP) and believe we have made improvements for the staff in these factories.

In 2018 we had collaboration between eight FWF member brands along with seven non FWF brand members culminating in winning the prestigious FWF Inspiration award with Haglofs in November. We see this as an effective and positive way to work with our supply base to help deliver meaningful step changes that can support a large percentage of their customer base. We will look to increase this collaboration throughout 2019.

In 2018 FWF also carried out Workplace Education Programme (WEP) in six 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 2018 we had three complaints log against our factories, two of which are joint collaboration with another FWF Brands. One complaint is still outstanding which will run into 2019 discussions. The issues are around excessive overtime and working days.

In 2018 we continued our sustainable strategy and obtained signed REACH (SVHC's) declaration from 95% of our supply base along with Prop 65 a US requirement.

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

*"2018 was another year of progress for us with Fair Wear Foundation. We increased the percentage of our supply chain that was audited once again and slightly improved our BPC rating. It is good that we are collaborating more with other brands both in general factory audits and complaint resolution when it is required. There were a large number of raw material delivery delays during 2018. This put pressure on garment manufacturers and led in some cases to an increase in overtime being worked than is desirable. We are confident that nobody is being asked to carry out overtime against their will, but it is something we are working on with our factories. We have also taken further measures in our planning to avoid this in the future"*

# 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 Ron Hill and Hilly who are a running clothing, socks and accessories brands.

We source approximately 83% of products from Asia and 17% of products from other countries including: UAE, Hungary, Ukraine and Serbia for garments and Northern Ireland for socks. They also subcontract manufacturing in Portugal. 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 still 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. Our overall sourcing strategy has not changed of reducing the number of factories in our supplier base. It is at the forefront of our decisions, understanding that a bigger leverage in our factories can improve the effect of managing change.

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

Thought-out 2018 we have put together a formal buying and sourcing process which talks into reducing risk and exposure for all three brands and avoids increasing the supply base without due care and incorporating a gate system for the final sourcing sign off. One of our key requirements for consideration is if the factory work with other outdoor brands 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.

We continue to 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 Fair Wear Foundation and the OSC brands. 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. This is reflected in over 80% of our supply base working with the brands for more than 5 years.

Whenever possible we work directly with factories and try not to use agents. We have our own office in China who are responsible to monitoring quality within all the factories we use 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.

- **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.

- **Supplier relations**

In 2018 we have identified 10 factories where our relationship would be terminated, albeit they may still show on company turnover through 2019 by the way of seasonal carry overs. The production from these factories will be allocated to current factories along with two new facilities that fall in line with 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 in effectively in a timely manner.

**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.

- ***Integration monitoring activities and sourcing decisions***

The buying teams monitor all orders placed with every factory, delivery timeliness and any quality issues are recorded.

The sourcing / buying team visit our strategic factories at least once or twice a year. They follow a set agenda which includes; 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 excessive OT, 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 or shipment issues we try and find the root cause of those challenges. For example this may require having to agree to a 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, outlining why we are affiliated to FWF and explain our aim to improve the conditions and welfare of the workers in our supply chain. We wouldn't work with any new supplier if we felt after the initial introduction and visit they were unable to comply with FWF standards.

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

### **2.1 China**

We manage 75% of our manufacturing using factories in China. Strategically it's still our preferred choice, however it is becoming increasingly difficult to manage the supply chain. Excessive OT hours, number of days off per month and the living wage has always been a challenge. Workers salary expectations have increased to make some styles uncompetitive in the volatile UK/European retail market. An increasing concern is the current trend in China to employ migrant or temporary workers to cover the peaks in production that do not have the benefit of contracts and security in employment.

Over 70% of the China have been audited over the past three years. Monitoring the audits through the CAPS are carried out on a regular basis. 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.

FWF has a target for all workers to be paid a living wage. With the help of open costings and actual wage sheets the Brands are starting to evaluate and discuss with strategic partners the possibility of increasing wages above the local standard. The audits that have been carried out have confirmed the workers in our factories are paid at least the minimum wage.

Health and safety issues are also a factor in the audits and to-date the factories have addressed any serious issues which are brought to their attention. We have actively increased our dialogue with other outdoor brands affiliated to FWF. Thirteen of our China factories are also used by other FWF affiliates, in these cases we work together on the factories key objectives. Collaboration allows for greater leverage and is a key objective through 2019.

## **2.2 Indonesia**

In Indonesia we deal with one factory, who we have worked with for nine years. They were audited in 2018 and the result of the audit was very positive. OSC turnover has reduced to 1% from 3% in 2017. The slow down reflects our sourcing strategy of product consolidation and reducing the number of countries we operate in. The sourcing director has still managed to visit the factory in 2018. (CoLP) information board is clearly visible on their notice board.

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

OSC buys from one manufacturer whose head office is based in Hungary. The head office manufactures garments and also controls work load and raw material purchasing and distribution for two factories in Ukraine and two in Serbia. We represent over 50% of their business.

The two factory in Ukraine have been audited in 2018 in collaboration with another FWF Outdoor Brand. The audit was observed by the OSC CSR manager. The CAP is being used jointly to drive the factory objectives for improvement.

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 but below the best practice level.

## **2.4 Vietnam**

We are currently working with three factories in Vietnam. Two are Taiwanese owned and the other is Korean owned. One factory was audited in 2016, one had a verification audit in June 2018 and the new will be audited in 2019. We have successfully managed a number of complaints in one factory through 2018. Payment change, length of probation and withholding social insurance books were the main issues. We are looking to expand our factory network in Vietnam potentially using one that is already affiliated to FWF through another Outdoor Brand.

## **2.5 Myanmar**

We started working in Myanmar in 2016. Understanding the extra due diligence required we used our current supply chain partners who had moved into this country. We intended to use at least two factories which had been recommended and visited. We reduced the offering to one after reviewing the unrest and possible human's rights issues including the escalation of the Rohingya persecution. We have managed a number of complaints in the factory with the help of FWF country manager. The strength of the unions is growing

in the country which is exasperating any grievances. We will continue to closely monitor the situation in this country.

## **2.6 General; Excessive Overtime, Living Wage, 7Day working.**

Excessive overtime, the living wage, working more than 7 days, living wage and using part time migrant workers are the main issues that are a recurring challenge in most of the China factories we have audited. Factories are having to pay at least the minimum wage to retain their staff. Encouraging them to increase the wages has been a challenge throughout 2018. We have a better understanding of the FOB price calculation through open costings. 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. Both are high priority in our discussions with the factories. New concern for 2018 is using cheap migrant labour on a no contract or workers' rights basis. Leverage in the factories or Brand collaboration is key to pushing for improvements.

2018 has seen a reduction in factories to improve leverage and stronger collaboration with other FWF members.

## **2.7 External production**

**Oboz:-** USA walking shoe manufacture. Sprayway are their UK / European agents. Their shoes are produced in one factory in Vietnam. We have a FWF questionnaire along with an image of the FWF CoLP on their factory information board. We also have copies of two independent audits dated 2016 carried out at their factory.

**Zempire:-** Manufacturer of high quality family tents produced in China. We have a FWF questionnaire along with an image of the FWF CoLP on their factory information board. The factory was audited in May 2018 on behalf of OSC and another Outdoor Brand. We are managing the CAP in collaboration with this Brand.

**Altra:-** American Running Shoe Brand with a number of factories in China and Vietnam. Ron Hill are their UK/European agents. We have FWF questionnaires along with the FWF CoFL poster hung in the relevant factories which manufacture the shoes for Ron Hill. Altra have recently been bought by the VF Corporation.

## **3. Complaints handling**

We have received three factory complaints in 2018. One in China, Vietnam and Myanmar.

The reasons for the complaint in Myanmar was difficulty understanding the bonus system, psychological abuse and locked doors. In a joint initiative with another outdoor FWF affiliate we organised meetings between the TW head 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.

The complaint in China revolved around subcontracting work, unskilled migrant workers being employed at inflated wages and excessive overtime. The complaints have been managed by six brands, four of which are not members of FWF. Elevate a global consulting service have been employed over six months to set up a grievance system along with improved production planning

and up grading the HR department. Regular updates and meeting are held to monitor the factories progress.

The complaint in Vietnam was across a number of issues which included a change in the payment method, delay in paying wages, late payment of social insurance and probation period. After a number of verbal and written discussions the issues have been resolved. FWF will be carrying out a verification audit in 2019 on this factory.

OSC are committed to address any complaints in accordance with the FWF 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 , FWF is included in the presentation with a short introduction for any new sales personal and an update on work that has been carried by the CSR and buying teams in this area.

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 eighteen 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 factories 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 poster is erected in all our factories including any of their subcontractors. We have images on file of the posters in place. Every supplier has completed and signed the FWF questionnaire, which is also on file.

We continue to encourage all our factories to inform their workers of the FWF eight code of labour practices through FWF CAP comments, face to face discussions, internal training

and handing out copies of the CoLP to all employees. In 2019 we will distribute a CoLP workers card with the help of FWF, this was a request we helped to instigate.

We have instructed FWF to carry WEP training in over 50% by turnover of our factories. The feedback from the owners and workers have found the training to be very productive and they feel it will help them to improve communication between management and workers in the future. The WEP training report is sent to the factory for comment and follow up where necessary.

## **5. Information Management**

The system for keeping track on the progress of CoLP implementation is via annual supplier visits carried out by the sourcing and commercial directors. Along with quarterly CAP reviews where the factory sets out their action plans and timelines against the audit objectives.

In 2018 we have introduced a buying and sourcing process which takes away the risk and exposure for any factory to be independently set up and used without director or finance approval. All relevant factories are registered with FWF which is included in the process.

We do not allow our product to be made in subcontracted factories. However we are aware that some of our factories use subcontractors for embroidery and / or printing. These are identified through the FWF audits and factory visits. All the subcontractors have images of the CoLP in these units.

## **6. Transparency & Communication marketing**

All our brands confirm they are members of FWF via biannual catalogues / work books. FWF membership is also highlighted at the global sales conferences. The FWF logo has appeared on all our garments from Autumn 2017 through the FWF swing ticket.

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.

All OSC brands actively share Social Reports and BPC, leadership status updates and news stories, such as the Fair Wear Foundation Leadership award, on their social channels including Facebook, Twitter and LinkedIn.

This is our seventh Social Report, which will be posted on our web site along with our 2018 BPC.

## 7. Stakeholder Engagement

OSC continues to engage with the EOG. We also set up dialogue with SAC looking at implementing the Brand Higg Index. We have set up factory training along with another Brand using the ILO. We do also rely 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 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. <https://www.ronhill.com/>



### **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. <http://www.dartmoor.gov.uk/>



### **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.



### **Climbers Against Cancer (CAC)**

A charity supported by Mountain Equipment with an annual supporter contribution. Through the worldwide climbing community, Climbers Against Cancer aim to increase awareness and raise funds for research in the continued fight against a disease that affects so many. CAC is a none profit organisation, with all proceeds donated directly to cancer research facilities throughout the world.

<https://www.climbersagainstcancer.org/>

**CAC**

Kevin Offer  
March 2019