

SOCIAL REPORT 2023



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- 1981 Oberalp Group Spa is founded


- 1990 Oberalp acquires SALEWA; a multi-specialist for mountain & alpine sports


- 2003 Oberalp acquires Dyanfit; the most important global brand for ski touring gear and equipment


- 2011 Oberalp acquires Pomoca; the global leader in ski skin manufacturing


- 2012 Oberalp acquires Wild Country; an insider brand for climbing apparel & equipment


- 2013 Salewa, Dynafit & Wild Country become Fair Wear Foundation members


- 2016 Salewa, Dynafit & Wild Country become Fair Wear Foundation LEADERS
- 2019 Oberalp acquires Evolv; an American brand for climbing shoes


- 2020 Oberalp launches a new mountain sports brand for women only


- 2022 Oberalp acquires Droker, a high-end shoe factory located in Romania

Headquartered in the heart of the Dolomites

in Bolzano, Italy, the **Oberalp Group** is a leading provider of outdoor, technical apparel and equipment for mountain sport enthusiasts.

Today, it owns six brands, **Salewa, Dynafit, Pomoca, Wild Country, Evolv, and LaMunt** and also acts as EU distributor for other internationally recognised sports brands.

2023 has been another intense year, full of challenges and uncertainties. Over the past three years, several events have created and subsequently fuelled an environment of uncertainty, urgency and rapid change.

The pandemic and its aftermath have combined with the need to adapt our system for monitoring and improving factory working conditions to a **risk-based approach**.

This is both a normal and straightforward evolution of our approach, as a result of lessons learned and a desire to improve our own systems, but also as a result of requirements for **systematic human rights due diligence** in current and future regulations in territories where our products are sold. To be prepared for any changes, during the year we analysed the forthcoming EU Corporate Sustainability Due Diligence Directive and assessed whether we would be ready for it.

Perfecting the risk assessment system and procedures was one of the most intense challenges of the year, along with the use of the **Fair Wear Human Rights Due Diligence facilitation tool**. Thanks to prior knowledge and the availability of information from organisations and partners, we were able to further improve it, critically highlight areas for improvement and follow the six steps of the OECD due diligence process.

This makes us proud, but it also means that we are more aware of our responsibilities.

Over the past year, most of our efforts have been focused on conducting **enhanced due diligence in Myanmar**, focusing on freedom of association and remedy, access to effective grievance mechanisms, forced labour and fair purchasing practices, security risks and links to the military, addressing key risks, gathering credible information and reporting on efforts.

In the country, we followed up on four of the six complaints we received during the year.

In 2023, we decided to go one step further in another country: Bangladesh. We joined the pilot of the **Employment Injury Scheme (EIS)** with the aim of actively contributing to the improvement of social protection for the whole country, as work-related injuries are an unacceptable risk for both workers and companies. To help the scheme reach more brands, we co-presented two talks with the ILO and GIZ at the ISPO trade fair in Munich. We also continued our efforts to pay a **living wage**. Continuing the work of previous years, we analysed the results of audits focusing on the wages paid by our suppliers. The road to paying the living wage is still long and the benchmarks are often not entirely reliable. So we set our own target, which we have maintained at 30% above the legal minimum. At the same time, we continue to implement an internal tool to monitor whether we are paying our suppliers enough to allow them to pay their workers a living wage.

We also ensured that workers at one of our Vietnamese suppliers, which was closed for two months in the summer of 2021 due to the pandemic,

received an additional payment, proportional to the leverage we have at the facility, to **bridge the gap** between what they earned during the closure and the legal minimum wage.

The resolution of non-conformities during this difficult period was facilitated by maintaining **long-term relationships** with our suppliers (5 years or more), which represent 72% of our FOB volume, and by **consolidating our suppliers** by almost 20%.

In order to create a stronger bond between the Quality Control personnel, the **Oberalp Group's first Asian Employee Meeting** was organised in Vietnam, bringing together QC colleagues from Asian countries and Italy. The efforts and actions taken in 2022 were not analysed in the following year's annual Brand Performance Check because in 2023 we will be participating in the **Fair Wear's Academy Pilot Project**, which will provide the wider industry with guidance, learning modules and access to tools to help brands with their human rights due diligence. As a pilot participant, the Oberalp Group will play an important role in testing and evaluating the viability, feasibility and effectiveness of the project before the Fair Wear Foundation rolls it out on a larger scale.

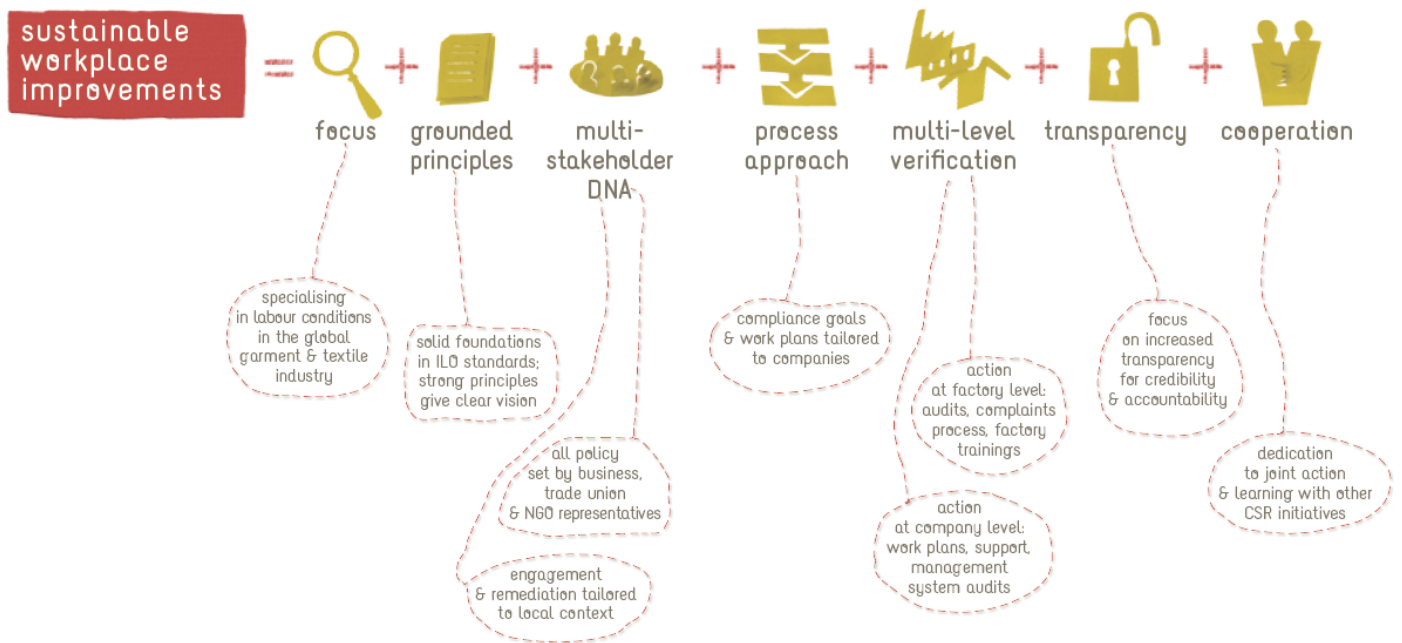
In 2023, 95.21% of our textile production was in medium, high and very high-risk countries and therefore under strict monitoring. In total, we produced in 17 countries around the world, 9 of which are in higher risk locations. We have conducted risk assessments in all of them and this year we were also able to conduct audits in factories in the following countries: Bangladesh, China, Myanmar and Vietnam. In 2023, we covered 98% our purchased volume by auditing or following up on audits performed between 2021 and 2023.

We were able to improve our risk assessment system and follow the six step of the OECD due diligence process. It makes us proud, and at the same time **it signifies more knowledge on our responsibilities**

Our most important partner in the improvement of workers' wellbeing in the factories is Fair Wear Foundation (FWF). Dedicated to transparency and improving working conditions in our supply chain, Oberalp has been a member of FWF since 2013. Within the framework of the FWF system and the collaborative approach and the constant evaluation it entails, we have been able to make good progress. An important recognition of this came in in 2016, when FWF granted us the Leader status as a result of our concerted effort to support and integrate social compliance into our operations via ongoing due diligence, informed sourcing and purchasing practices, monitoring and remediation activities, internal and external training and capacity building, information management, and efforts towards greater transparency.

FWF is a multi-stakeholder initiative that collaborates with brands, factories, trade unions, NGOs, and sometimes governments to improve working conditions in supply chains where sewn goods are made. The scope of FWF focuses on the cut and sew processes related to the production of textile goods, as they believe this is where the greatest positive impact can be made. At present, the FWF concentrates its efforts in 11 apparel producing countries in Asia, Europe, and Africa – Bangladesh, Bulgaria, China, India, Indonesia, Macedonia, Myanmar, Romania, Tunisia, Turkey, and Vietnam.

The Fair Wear formula



Source: Fair Wear Foundation

Cooperation in the framework of our FWF membership entails the monitoring of all factories making our products in the implementation of the Code of Labour Practices:



Source: Fair Wear Foundation

SOURCING

We own the factory that produces our ski touring skins in Switzerland, a footwear facility in Romania and a factory for the production mohair velvet for our ski touring skins in Germany.

The rest of our products are manufactured at external facilities, and this means we have to pick our production partners carefully and make sure we install fruitful and long-term partnerships.

Our broad product range for all brands is broken down into 4 key divisions: apparel, footwear & technical equipment, skis & bindings, and skins. The textile divisions are based in Italy and shared between offices located in the Dolomites and in Montebelluna. Dynafit ski-touring bindings, skis and a part of the brand's equipment are managed from our German offices in Aschheim, and Pomoca skins in Chavornay, Switzerland.

The focus of this report, and of our Social Compliance efforts in the framework of our partnership with FWF, pertain to the factories where cut and sewn goods are produced.

Planning, sourcing, and purchasing activities are conducted independently by the different divisions. Each division has its own internal structure, sourcing strategies and partners; *however, common to all is the integration of due diligence and social compliance responsibilities throughout each of the respective teams, and with all suppliers, whether they be the factories directly, or agents who act as intermediaries between us and the factories.* In cooperation with the Sustainability team, sourcing and costing managers are regularly briefed about local living costs, potential hazards and risks, and actual working conditions so they are empowered to make informed decisions.

Our 4 Key Divisions

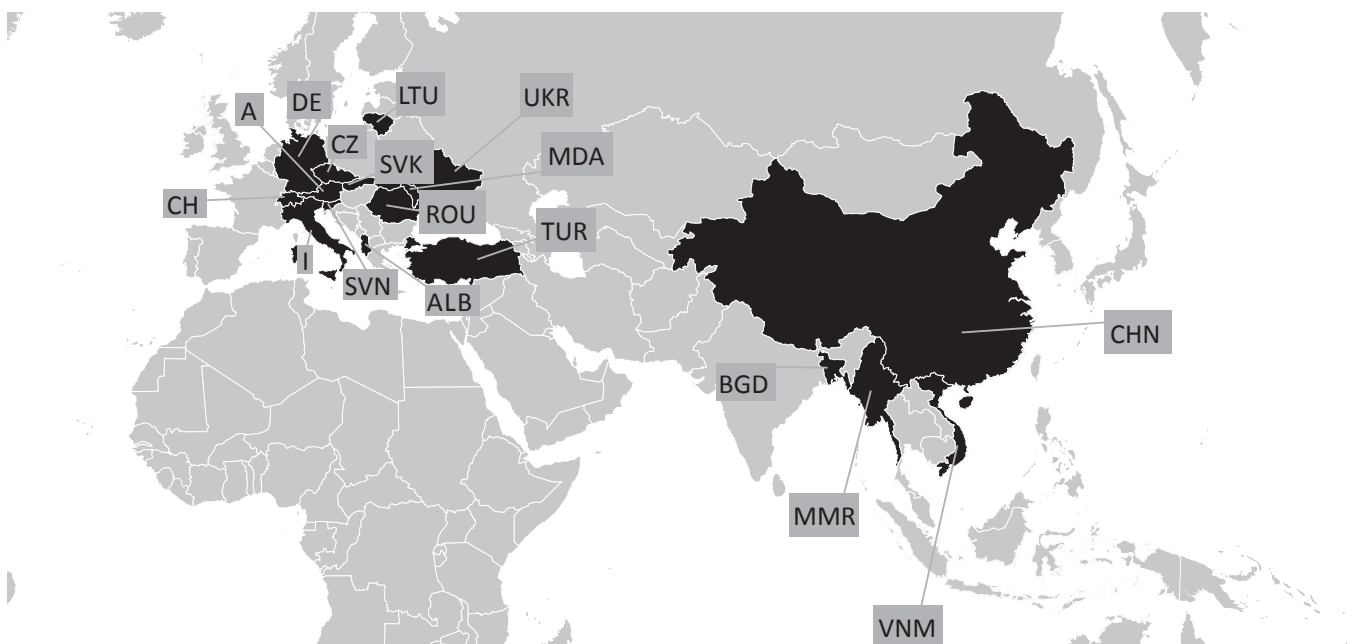
APPAREL (menswear, women’s wear, accessories, denim, knitwear)

FOOTWEAR (shoes and boots) **& TECHNICAL EQUIPMENT** (tents, backpacks and bags, sleeping bags, cords, ropes, slings)

SKIS & BINDINGS

SKINS

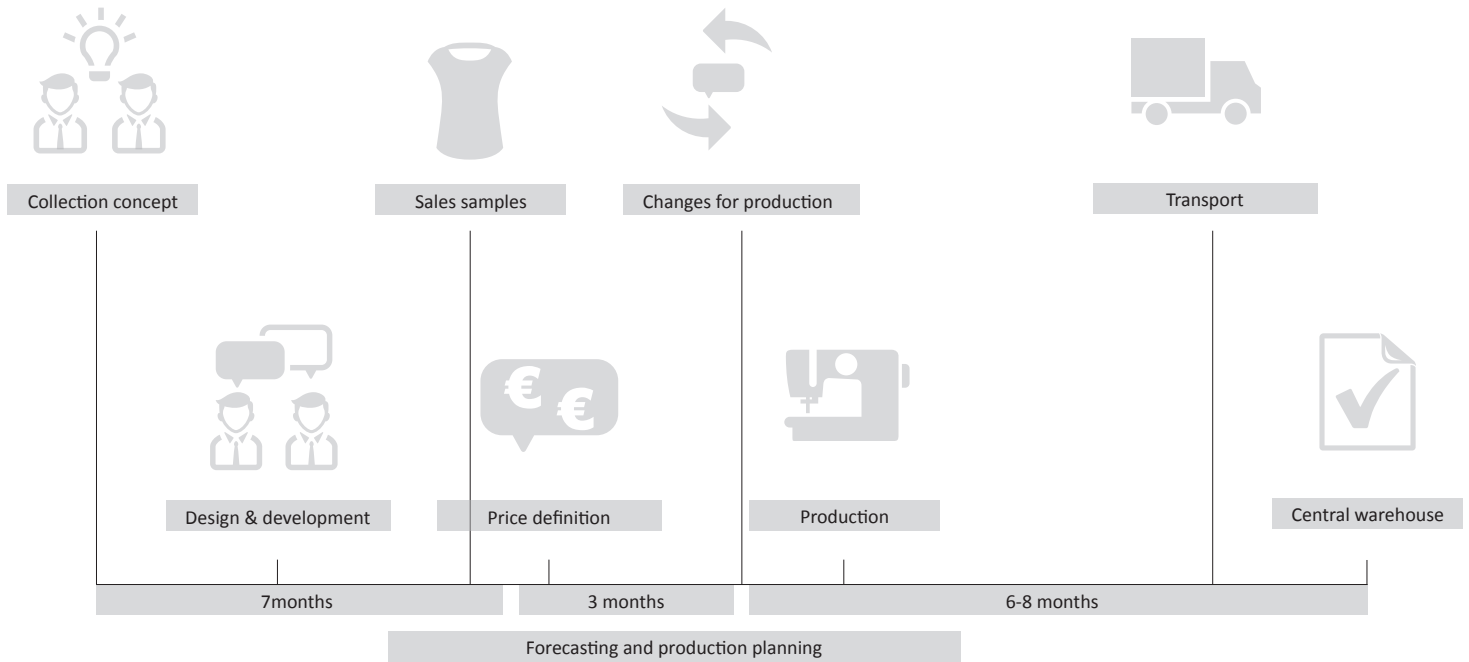
Production Countries



In 2023, our textile production took place in **17 countries** across the globe.

Production Cycle

Our production planning is informed by the **production capacity** of the factory, and is also based **according to style**. This allows for **substantial and flexible lead times** to avoid undue pressure to fulfill delivery dates. Furthermore, if / when the occasion arises we **accept delays** and **share the responsibility** if need be.



In agreement with our partners, we define a reasonable timeline including room for delayed fabric and accessory deliveries and considering important events and local holidays.

Holiday	Dates (2023)
Chinese New Year (China, Vietnam)	21 - 27 January
Easter	09 April
Thingyan Festival in Myanmar & Burmese New Year	13 - 16 April
Eid ul Fitr (Bangladesh)	14 - 23 April
Labour Day Holidays (China)	29 April to 03 May
Dragon Boat Festival (China)	22 – 24 June
Eid ul Adha (Bangladesh)	28 – 30 June
Mid-Autumn festival (China)	29 September
Golden Week (China)	01 - 07 October

Human Rights Due Diligence

We are aware that our sourcing strategy (beginning, maintaining and ending the collaboration with our suppliers) and all our decisions affect the workers employed in our supply chain and the communities they live in. As a company active in the garments and footwear industry, we have to get deeper knowledge on the partners involved in the making of our goods to identify and address the actual and potential adverse impacts we could cause or contribute to in the supply chain.

To achieve this, human rights due diligence (HRDD) and the sourcing process need to be integrated, so that the first can inform and influence the decisions of the second, and the second can provide input on objective and perceived risks so that due diligence can be refined, commensurate and actions can be better prioritized.

Having structured and effective due diligence procedure and sourcing strategy is essential to prevent and minimize risks and violations. This is particularly important in our case because the supply chain we work with is fragmented, externally owned and located in many countries, with different cultures and political systems, with uneven coverage or guarantees on legal protection and social security measures, and especially with different degrees of dialogue and circumstances enabling equal treatment or advancement of workers' living standards. The UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector set the basis of the direction we are committed to following. A six-step framework has been developed by the OECD to help the companies in creating their own due diligence process,

Step 1 – Embed a Responsible Business Conduct (RBC) into policies and management systems: we are progressively tailoring our internal policies and management systems to better respond to the risks in our supply chain; and integrate them in our sourcing practices;

Step 2 - Identify and assess actual and potential adverse impacts: we have created a three levels scoping exercise The first level helps us in identifying the countries we should focus more on basing on the general situation of the area analysed, the second enables us to get more information on the most frequent risks in the footwear and garment sector of the countries, the third one make us aware of the individual risks we find in the factories;

Step 3 - Cease, prevent and mitigate adverse impacts: depending on the severity and likelihood of risks identified in the previous step, we prioritise the ones that need our attention and create a plan to limit the adverse impacts;

Step 4 - Track implementation and results: the results of the risk-assessment and the actions taken to minimize risks and violations are tracked, for continuous improvement;

Step 5 - Communicate how impacts are addressed: we report on the risks and impacts, prioritisation criteria and processes, and actions and outcomes to address impacts against targets. We share the challenges, efforts and results in our annual Social Report and their evaluation can be found in the Brand Performance Check carried out by Fair Wear Foundation. Both documents can be found on the company and brands' websites.

Step 6 - Provide for or cooperate in remediation: we participate in remediation for impacts that we have caused or contributed to.



The 6 HRDD steps – framework used by Fair Wear Foundation

The global supply chain is subject to various changes linked to the geographical area and the political and economic system, so it is important that due diligence is integrated not only into sourcing but also into the company's management system and in a corporate policy. This needs to be updated and regularly revised to reflect and address the risks at each stage of their development, always with the aim of eliminating, preventing or mitigating them. The important role of due diligence in the corporate structure needs to be formalised in a clear policy that guides current and future efforts, illustrates the principles that inspire the company and the methods it uses to assess and manage risk, and reiterates priorities, commitment and accountability: the Responsible Business Policy.

Responsible Business Conduct

We operate under a Responsible Business Conduct (RBC) policy as intended in the OECD's "Due Diligence Guidance for Responsible Business Conduct". It reflects the company's commitment to protecting and respecting the environment, the human rights and the dignity of every individual and community we come into contact

with, within our supply chain². The policy acts as a guide that supports us in improving living conditions while preventing, mitigating, and remediating any negative impact we might cause, contribute to, or are directly linked to².

Even though our possibilities are limited, because of geographical distance and economic circumstances, such as our size compared with our suppliers', we are convinced that good management practices on our side, open discussion about shared values and social standards that must be upheld, and collaboration with competitor brands and stakeholders who want to improve workers' lives, lead to change for the better.

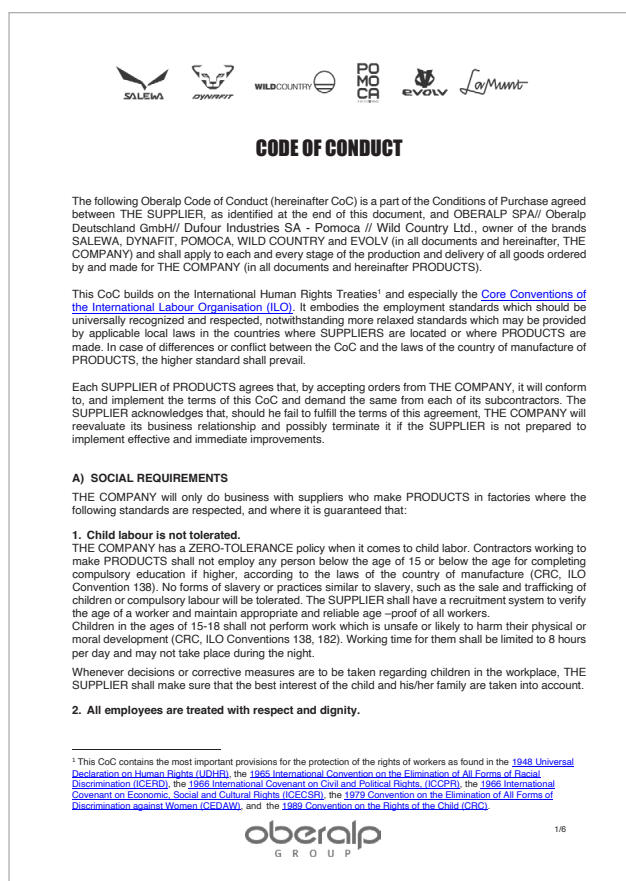
Code of Conduct

Our RBC policy is complemented by the Oberalp Code of Conduct (CoC). Building on the most relevant International Human Rights Treaties, particularly the Core Conventions of the International Labour Organisation (ILO), and in line with FWF's Code of Labour Practices, our own Code of Conduct sets forth the guiding principles and backbone of our company and all of our business relationships. At its core it's the shared responsibility, both on our part and expected from our suppliers: geared towards sustainability and compliance, as well as ethical behaviour towards all workers at all stages of our business and supply chain. Moreover, it is an information tool for making all employees and suppliers aware of their rights and duties.

Both our RBC and CoC prescribe that our business with suppliers and in turn, their business practices be free from corruption, direct or indirect, including planned, attempted, requested or successful transfer of a benefit as a result of bribery or extortion.

Our Code of Conduct

- Child labor is not tolerated
- All employees must be treated with respect and dignity
- Employment must be based on ability and no discrimination is tolerated
- Employment must be freely chosen
- Payment of a living wage must be guaranteed
- Hours of work must be reasonable; overtime exceptional, voluntary and duly paid.
- Working conditions must be decent and safe
- Freedom of association must be guaranteed
- The employment relationship must be formally established by means of a written contract



Additionally, our suppliers should implement an effective program and a system to tackle environmental issues in the factory, taking a precautionary approach. In 2022, we started to address environmental risks in our supply chain in a deeper and broader manner, and establish processes to better tackle, improve, track and report issues at suppliers: from the identification and assessment of risks, through to devising ways of addressing or remediating them in collaboration with our competitors and our suppliers, and ceasing, prevention or mitigation of these risks

Risk assessment

The due diligence process is not always the same, it varies according to the likelihood and severity of an adverse impacts that may or have occurred; the negative impacts are also called “harms” and the issues that could result in such harms are defined as “risks”. The greater the likelihood and severity (i.e. scale, scope and irremediability), the more extensive the due diligence needs to be.

Thus, we take a methodological approach when assessing human rights risks to ensure that the most salient ones are identified.

The global supply chain presents different risks, some specific to each country or region and others common to all factories. Before initiating the business relationship with a new supplier, a risk assessment is carried out, possibly in collaboration with other sourcing brands. It is then updated on an annual basis, and this analysis enables us to carry out a better process of due diligence, assessment, prevention, mitigation and remediation.

We have divided our risk assessment into three layers: country rights indicators, labour standards risks, supplier risks.

It also helps us in prioritizing the factories with the most severe actual and potential adverse human rights outcome, following the UNGP No. 24: “Where it is necessary to prioritise actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable.”

We collaborate with many factories, and it is not possible to identify all potential and actual negative impacts at once, and work to prevent, mitigate and remediate them all simultaneously.

Therefore, each identified risk is assigned a different degree of likelihood and severity, and we focus more on the risks that have higher values. Likelihood is a measure that identifies the degree of probability that a given event will occur and is measured on a scale of

1 to 5, with 5 being certain.

Severity is another useful measure for understanding how to prioritise, as it measures the seriousness of the impact. It has three sub-indicators: scale (objective seriousness), scope (how many people may be affected) and irremediability (inability to remedy over time).

Country rights indicators

The first risk analysis step, that we call risk scoping, researches the countries we work with through the combination of four indices: the World Bank Governance Indicators, the United Nations Development Programme (UNDP)’s Human Development Insights, the International Trade Union Confederation (ITUC)’s Global Rights Index and the World Economic Forum’s Gender Gap Index.

The World Bank Governance Indicators (WGI) is a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. The data are gathered by a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms and report on six broad dimensions of governance: Voice and Accountability; Political Stability and Absence of Violence/Terrorism; Government Effectiveness; Regulatory Quality; Rule of Law; Control of Corruption.

A statistical tool, called Unobserved Components Model, is used to construct a weighted average of the data from each source for each country.

The resulting measure is a percentage that goes from 0% (minimum) to 100% (maximum) which enables a broad cross-country comparison; moreover, looking at the evolution of the indicators over time, it is useful to evaluate broad trends.

The UNDP’S Human Development Insights (HDI) is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. The health dimension is assessed by life expectancy at birth, the education dimension is measured by means of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. The standard of living dimension is measured by gross national income (GNI) per capita. The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GNI. The scores for the three HDI dimension indices are then aggregated into a composite

index using geometric mean.

The result is a percentage that reflects the human development classification of a certain country. From 0% to 54% is low; from 55% to 69% is medium; from 70% to 79% is high and from 80% to 100% is very high.

The World Economic Forum’s Gender Gap Index (GGI) benchmarks the current state and evolution of gender parity across four key dimensions: Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. It is the longest-standing index which tracks progress towards closing these gaps over time since its inception in 2006.

Economic Participation takes into consideration the male and female unemployment levels, levels of economic activity, and remuneration for equal work.

Economic Opportunity analyses the duration of maternity leave, number of women in managerial positions, availability of government-provided childcare, wage inequalities between men and women.

Political Empowerment measures the gap between men and women at the highest level of political decision making through the ratio of women to men in ministerial positions and the ratio of women to men in parliamentary positions.

Educational Attainment captures the gap between women’s and men’s current access to education through the enrolment ratios of women to men in primary-, secondary- and tertiary-level education.

Health and wellbeing provide an overview of the differences between women’s and men’s health and the effectiveness of governments’ efforts to reduce poverty and inequality, adolescent fertility rate, percentage of births attended by skilled health staff, and maternal and infant mortality rates.

The Global Rights Index (GRI) is a world-wide assessment of trade union and human rights by country, made by the International Trade Union Confederation (ITUC). The given ratings are based on 97 indicators derived from the labour standards of the International Labour Organisation (ILO), and specifically violations of trade union rights, such as limitations on collective bargaining and the right to strike, inhibiting trade union membership, state surveillance, violence and killings against trade unionists and restrictions on freedom of

speech. The index analyses the compliance with collective labour rights by governments and employers, and assigns a rating per country on a scale from 1 through to 5+, where 1 means “sporadic violations of rights”, 2 “repeated violations of rights”, 3 “regular violations of rights”, 4 “systematic violations of rights”, 5 “no guarantee of rights” and 5+ “no guarantee of rights due to breakdown of the rule of law”.

In order to provide an overall assessment of the countries, taking into account all the indices analysed, we convert each score for each indicator to a scale of 1 to 6. In the case of the GRI indicator, we have used the same scale as the research itself, with the sole exception of converting the score to 6 points if the risk is 5+. For the other three indicators, we used a logic similar to that of the HDI, where a percentage between 80% and 100% indicates a very high degree of development, which we translated into a very low risk.

The vast majority of countries have a precise indicator for all the aspects; where the indicator is not available, we conduct further research to exclude that the missing measure would impact the risk level of the country.

The table below gives details of the values assigned and the resulting average of the indicators by country.

Risk level	Min % of index	Max % of index	Risk measure
Very low	80%	100%	1
Low	70%	79.99%	2
Medium	55%	69.99%	3
High	30%	54.99%	4
Very high	10%	29.99%	5
Exceptional	0%	9.99%	6

At the end of this first level of risk assessment, we were able to classify each country's level of risk based on its performance in terms of a living wage, health, education, freedom of association and access to remedy, gender and discrimination, politics, stability and corruption.

Country rights indicators serve different purposes. They are the basis for building an overview of the risks useful to consult when we are considering partnering with a new supplier in a specific area. The results help us in conducting a more accurate assessment of the prospective new factory considering the human rights perspective and the risk profile which can lead to choosing whether to start or not the new business relationship.

Assigning risk levels allows us to focus our attention on where the majority of violations occur. Time and economic resources are scarce, so we need to divert them to where better solutions can be achieved in identifying, preventing, mitigating and addressing the actual and potential adverse impacts we may cause or contribute to in the supply chain.

Moreover, by mapping the risk areas, we can be more precise in the subsequent steps. Knowing which areas present a higher degree of risk guides our due diligence work in the factories. We carry out a broad risk analysis on the different labour standards, but knowing which rights are most likely to be violated, we focus on understanding whether these risks are also present in the factories.

We maintain production partnerships around the world. The global supply chain presents different risks, part of them specific to each region. The countries are classified into 5 levels of risks according to the results of our first layer risk-assessment in regard to Social Compliance.

Very High and High Risk: Bangladesh, China, Myanmar, Turkey

Medium Risk: Albania, Moldova, Romania, Ukraine, Vietnam

Very Low and Low risk: Austria, Czech Republic, Italy, Lithuania, Portugal, Slovakia, Slovenia, Switzerland



In 2023 our products were made in the following countries:

Medium, High and Very High risk:

Factory country	Percentage of our total FOB	Number of factories
Vietnam	30,43%	10
Bangladesh	26,86%	5
China	14,60%	15
Romania	10,98%	1
Myanmar	9,45%	2
Turkey	1,38%	1
Ukraine	0,70%	1
Albania	0,50%	3
Moldova	0,31%	1
TOTAL	95,21%	39

Low Risk:

Factory country	Percentage of our total FOB	Number of factories
Italy	2,77%	7
Czech Republic	0,61%	1
Slovenia	0,41%	1
Switzerland	0,39%	1
Lithuania	0,37%	2
Portugal	0,16%	1
Slovakia	0,08%	1
Austria	0,02%	1
TOTAL	4,79%	15

	Very Low	Low	Medium	High	Very High
% Factories	-	28%	30%	39%	3%
% FOB	-	5%	43%	43%	9%

Labour standards risks

Countries rated medium, high and very high as a result of this mapping are subject to further risk analysis, this time focusing on labour standards and the textile sector.

On the other hand, very low and low risk countries are not investigated further immediately, unless the factory has special conditions, the country's balance does not change abruptly due to external events, or investigations or research focused on labour conditions change the perceived risk. Lower risk countries are still required to fill a specific questionnaire that we use to gather more information about single issues.

We also use risk assessment tools and specific requirements developed by the Fair Wear Foundation (FWF):

Fair Wear's database provides a detailed analysis of labour standards risks and their likelihood for each country where they have a field team conducting country studies.

Fair Wear Country Studies are the result of research and analysis of different countries, giving a picture of the labour laws, working conditions and industrial relations within the garment industry in the country. The countries covered by the study are Myanmar 2016, Turkey 2017-2018, Bangladesh 2018, China 2020, Romania 2021, Vietnam 2021, Tunisia 2021.

For other countries, we conduct our own risk analysis using various sources such as the FWF risk assessment, specific due diligence requirements, reports from NGOs and other stakeholders, and news from a variety of sources.

FWF risk assessments have been carried out for two countries where there is no active FWF team, but where specific risks can be identified. This was the case for Portugal in 2016 and Italy in 2020. For the first country, risks resulting from the strong impact of the 2008 crisis are presented: payment of a living wage, reasonable working hours and remuneration, and health and safety at production sites. In the case of Italy, the risk assessment makes frequent reference to the situation of workers in Chinese-owned factories.

Due diligence requirements are another resource we use to understand the most significant risks to labour standards in particular countries. Before the coup in Myanmar, due diligence requirements included checking more carefully that the factory did not use child labour and was not owned by the military. So, the requirements help us to identify which aspects are most at risk

Reports from NGOs or other stakeholders provide us with data and information on countries where our main stakeholder is not present and where we have identified at least a moderate level of risk in the first tier: Albania, Moldova and Ukraine.

The main source of information we use is the CSR Risk Check developed by MVO Nederland. This tool gives us an indication of the risks we may face when doing business in the textile sector abroad. News is another valuable way of learning about risks. We regularly monitor various channels (magazines, newsletters, websites, podcasts) to keep abreast of the latest developments in the economic, political and social context that may affect labour standards. The sources we consult most frequently are Human Rights Watch, Business & Human Rights Resource Centre, ILO publications.

Both our and FWF's tools provide a risk matrix, which is useful for gaining an overview of labour standards risks in our supply chain. We then prioritise the risks that are more likely to occur.

Supplier risks

The final step in our risk assessment process considers each supplier's social compliance and human rights performance. The aim of this step is to understand whether the risks identified at the country level are also present at factory level. Starting with the most likely risks, we assess the potential severity of them at each site. Once we have an overview, we focus first on those with a higher likelihood and severity. During site visits, email conversations and phone calls, we ask additional questions to understand whether risks are present or not, whether they are more or less likely to occur, and whether there are processes in place to identify them before they occur.

Factory self-assessments are another useful resource for understanding the presence of risk at the site level. Each time we start working with a factory, we ask them to complete a questionnaire covering the 8 labour standards, which we use as the basis for subsequent discussions. We also ask the factory to provide third-party social audit reports, if available.

Third-party audits allow us to go further, to see whether the risks we have identified have materialised or whether there have been violations that we did not anticipate. As soon as we see a finding in a report, we update the factory's risk profile to indicate that a negative impact has already occurred and analyse what other labour standards may be affected. We rely on third-party social audits conducted on behalf of other brands or requested by the factory, and if we deem it necessary to go deeper into an issue, we commission audits from the Fair Wair Foundation's audit teams.

Human rights-related controversies, such as complaints through the FWF hotline and factories' internal grievance mechanisms, or learned from other sources like the specialised press or denounced by NGOs also provide valid input to draw attention to where potential violations may be occurring or have occurred.

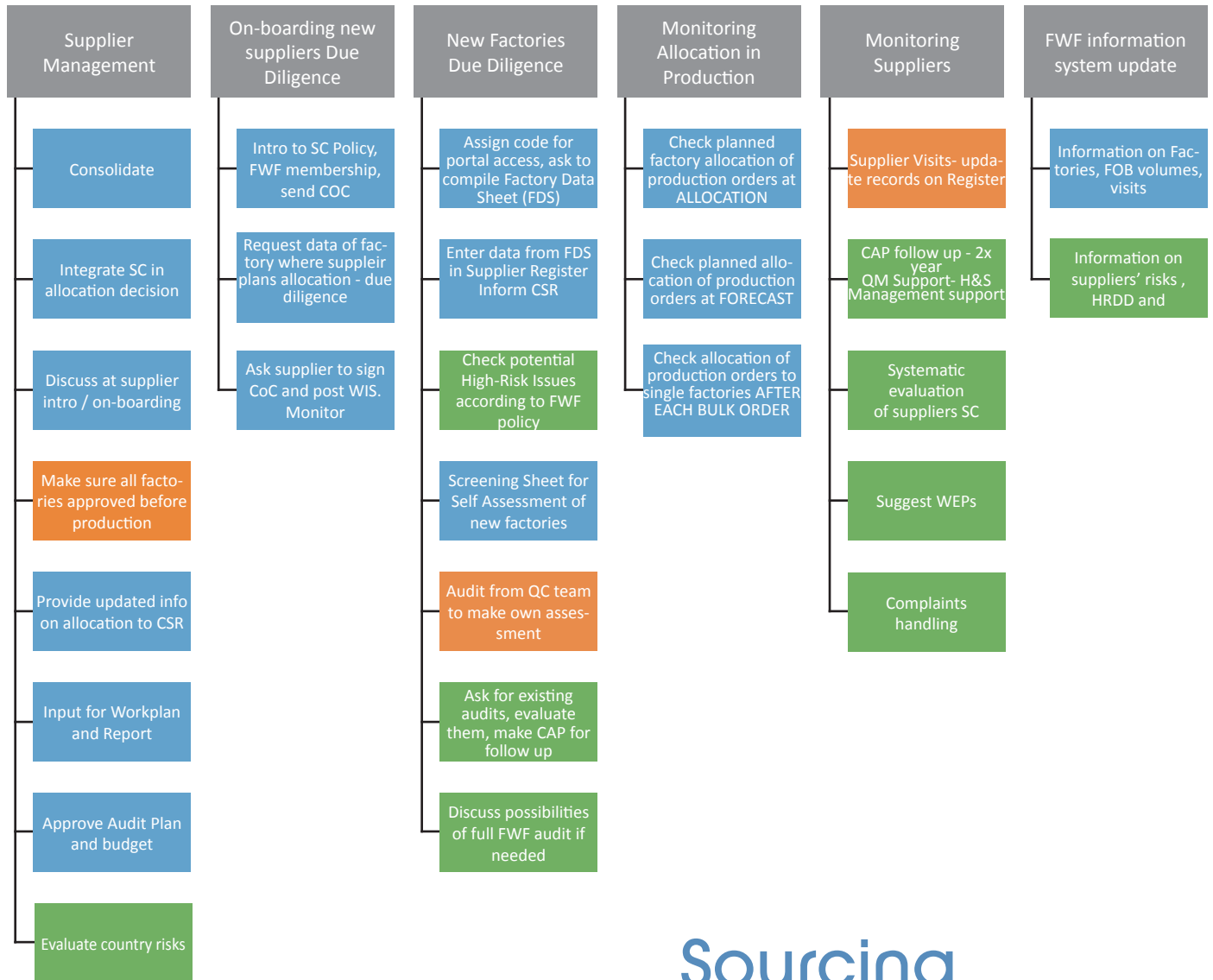
This third layer risk helps us to name the risks and to identify where we should focus our efforts in our supply chain. Without it, a fundamental part of our risk assessment would be missing. We believe that if we carry out a proper and complete risk assessment, we will also be able to anticipate and mitigate the risks in the specific factories, or even decide that a business relationship cannot continue because the risk of adverse impact is too great or the mitigation efforts have failed.

The risk assessment tools are not static; they need to be updated every year to reflect the evolving context in the countries and the violations. At the same time, we are committed to updating the structure of the tool to include more sources of information that will lead us to more accurate results. We are already planning to include input from trade unionists, workers' representatives, and other local stakeholders to improve the tools.



Photo – Factory 5843 in Bangladesh

Integrated Monitoring Activities & Sourcing Decisions



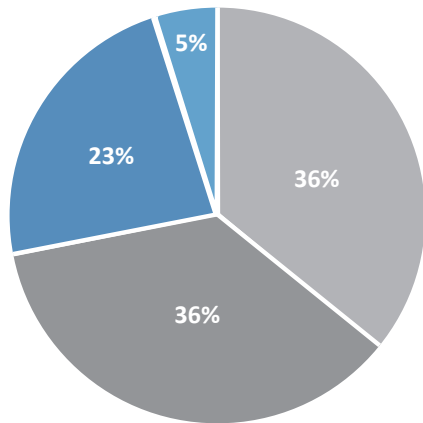
Sourcing
Planning
Purchasing
Quality Management
Sustainability

Supplier Relations

Long & stable Supplier Relationships - One of our primary objectives in regard to supply chain management, is to establish long-lasting relationships with our suppliers, with the aim for the maximum mutual benefits. This year, 72% of our total FOB volume came from factories we've been working with for more than 5 years. To grow successfully as a company, it is important that we cooperate with partners who also continually strive to grow and improve.

Those that, like ourselves, aim to better their social and environmental standards in their own operations and beyond. We see it as our role to encourage and facilitate dialogue that seeks to align our own values and goals with those of our suppliers, internally and in their business relationships with their partners. This on-going process is central to our social compliance efforts and demands our constant monitoring and evaluation.

In 2023, 72% of our total FOB volume came from factories where we hold long-term relationships



	2019	2020	2021	2022	2023
More than 10 years	30%	31%	29%	34%	36%
5 to 10 years	45%	44%	40%	36%	36%
2 to 4 years	9%	21%	27%	24%	23%
1 year or started in 20	16%	4%	4%	6%	5%

Starting relationships with new suppliers -

There are occasions when it becomes necessary to start a business relationship with a new supplier. This decision generally occurs for several different reasons, or a combination of different factors. In some cases, it is motivated by our own quality or technical requirements, or in others, we have to replace a supplier who did not meet our standards. Existing suppliers are evaluated at least twice a year on all aspects of their performance including: results obtained in audits and monitoring, cooperation to observe corrective action plan remediation, the implementation of our CoC, quality performance, and timeliness of deliveries. Unfortunately, when actual working conditions do not meet basic health and safety standards, and/ or the supplier is unwilling or unable to demonstrate genuine change, it becomes imperative that we look for an alternative. The final decision to work with a new supplier is the result of an in-depth discussion between the division

managers, the sourcing staff, costing and production managers, the quality department, production managers and developers, and the Sustainability team. There are also instances where the decision to begin cooperation with a new supplier is not of our initiative, and this may happen for three reasons: our partners may shift their production by opening new factories, close down their facilities or end the business relationship with us. In 2023, we started working with 5 new factories. In two cases, it was our supplier's decision to allocate our production in another facility. The majority of the other new business relations were due to the termination of our collaboration with another supplier, strategic decisions and increased demand following the pandemic. For the remaining one factory, the cause of the start was the need for new technical or specialized partners.

All factories we on-boarded in 2023 fulfilled our due diligence requirements

All new suppliers go through the following **due diligence process and fulfil the following requirements:**

- Sign our CoC and commit to its implementation;
- Complete a self-assessment on CoC compliance, provide full supplier and factory data, with an overview of their structure and other factories they work with – whether owned or subcontracted.
- Provide past audits done by third party organizations;
- Pass a QC inspection from our staff before production starts;
- Post FWF’s Worker Information Sheet (WIS) see point 1: a document containing the main 8 Labour Standards in local language for employees to view, and an address where workers can directly contact FWF to raise complaints which they deem they cannot solve in the factory;
- Bangladesh: show serious commitment to guaranteeing workers safety in the factory by agreeing to our ‘Bangladesh sourcing policy’, being audited by RMG Sustainability Council (RSC) and working on the findings. These requirements became even more stringent following the signing of the International Accord for Health and Safety in the Textile and Garment Industry in November 2022.

Between 2022 and 2023, we ceased sourcing at 18 factories, but with 1 are still collaborating. The motives for ending the cooperation are linked to our wish to consolidate the allocation of our products, the supplier's difficulties to meet our requirements or other inefficiencies. Before phasing- out from a facility, we try to find a common solution to continue the collaboration, but in some cases the only possibility is to terminate the partnership. When it happens, we communicate our decision to the supplier enough time in advance and to make sure that our choice to move elsewhere does not have a notable negative impact on the workers.

Supply chain consolidation remains at the heart of our sourcing strategy, between 2022 and 2023 we were able to consolidate the number of factories by almost 20%, working with 54 factories.

We will continue to work towards having fewer suppliers, which will enable us to achieve two key goals: improve the quality of our communication and follow-up in the factories, and an increase in our influence, leading to a greater chance of successfully making changes for good in the workplace.

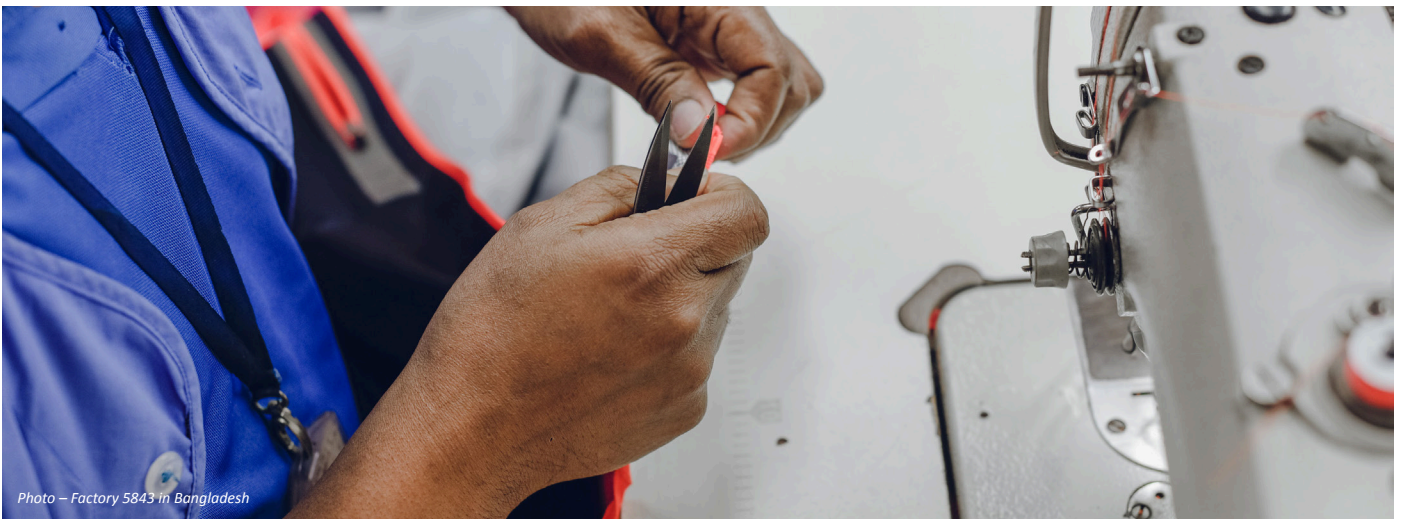


Photo – Factory 5843 in Bangladesh

Ensuring that our RBC policy and Code of Conduct is implemented

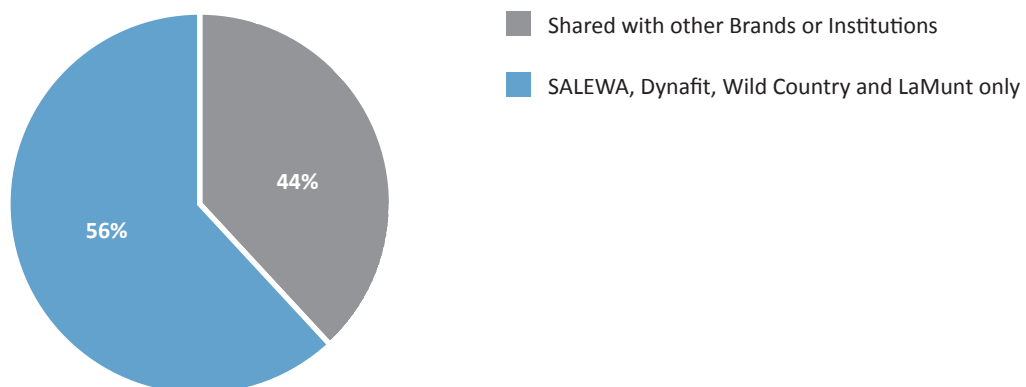
Social compliance and participation within the framework of our partnership with FWF is one of the key focus areas for our Sustainability team. We maintain a dedicated staff to manage these activities and respond to complaints immediately when they arise. Likewise, members of our quality control team, who visit our factories often throughout the year, act as our ‘eyes on the ground’ and are tasked with observing working conditions and informing the Sustainability staff when our Code of Conduct (CoC) and FWF’s Code of Labour Practices are not being adhered to. We monitor the implementation of our CoC and FWF’s Code of Labour Practices in all of our factories in four primary ways:

We stay informed - we collect, store, and maintain detailed information about each of our production sites, and factory sub-contractors.

We cooperate with other brands - operating with other brands in shared factories is a key part of our strategy to improve working conditions in our supply chain. Some of our partners are

located in far-away places or are much larger than our Company, and therefore our chances of driving change in the factories are small. Yet when we join forces with other brands sourcing in them, the positive effect is threefold: first, we *avoid audit duplication*, which in turn increases efficiency in three ways: by reducing costs, by following up on one single corrective action plan thus slimming the organization and ‘paperwork’, by having one brand on behalf of all the sharing ones to lead the communication and progress with the factory. Second, as a single brand we often do not have much influence in a factory; but when we collaborate with others, we are likely to amount to a more significant part of the production, which ultimately *enhances our bargaining power and the probabilities for positive outcomes*. A supplier will be more prone to making changes and investments to solve problems in the factories if it is an issue for more brands. And third, sharing best practices. Working with other brands allows us to see how others solve problems which come up in most factories, and thus create common methods and procedures

In 2023, **44%*** of our audited volume was covered with shared audits.



We maintain a dedicated framework for compliance in Medium, High and Very High Risk Countries - we require serious commitment from our partners in countries where specific and considerable challenges exist regarding the implementation of ethical labour standards. Factories in these countries must :

- Sign our CoC
- Post FWF’s Worker Information Sheet (WIS) in the local language, which includes the FWF’s Code of Labour Practices with the 8 labour standards and complaint hotline contact information
- Be open to regular social audits, either by FWF or an external auditing body as requested by us*
- Continue in a post-audit dialogue with the brand via Corrective Action Plan (i.e. CAP, with steps for remediation and timeline for action)
- Be prepared to make staff and workers available to participate in training sessions organized by us and carried out by FWF or other recognized organizations (Worker Education Programmes or trainings)*. These are valid for three years.

The decision to audit a factory is based on the following criteria:

Expired previous audit (audits are valid for 3 years)

Facilities that produce 2% or more of our FOB, with no valid (recent, full-covering all relevant issues, third-party) audit Facilities where our orders make up 10% or more of the production capacity, with no valid audit

Facilities in Myanmar or Bangladesh, with no valid audit

Facilities with recent complaints from workers or special challenges

Beyond auditing and corrective action plans, **worker trainings** aim to provide factory managers and workers with the tools they need to start an open dialogue about issues and opportunities in the workplace and about how to improve working conditions in the factory.

- Since 2014 we have conducted 28 worker trainings in factories in Bangladesh, China, Ethiopia, Myanmar, Romania, and Vietnam

*auditing and training activities have been reduced in 2020 and 2021 to limit the spread of the Corona virus.



Photo – Factory 5843 in Bangladesh

A summary of our monitoring in factories in Very High, High and Mediums Risk Countries

Country*	Number of Factories in the country	Number of facilities audited 2021-2023 and follow up through corrective action plan	Percentage of our volume in the country covered with audits
Vietnam	11	9	98,75%
Bangladesh	5	5	100%
China	15	11	94,18%
Romania	1	1	100%
Myanmar	2	2	100%
Turkey	1	1	100%
Ukraine	1	0	0%
Albania	3	0	0%
Moldova	1	1	100%

A complete list of all our factories with the relative monitoring and remediation activities can be found in the annex at the end of this Report.

*Production countries are in descending order according to their share of our production volume (see the “production countries” section above).

**The data refers to third-party audits only. In the factories not covered by audits we have conducted our own assessment.



Photo - Factory 14381 in Myanmar

We source in Very Low and Low Risk Countries where possible - in countries with stable pre-existing local laws and social security in place that ensure a good basis for fair and ethical working conditions, our level of surveillance is lower. However, we still require that factories operating in these countries sign our CoC and post FWF's WIS in the local language to inform workers of their rights. We also visit the factories regularly and make informal audits to ensure compliance with our CoC and FWF's Code of Labour Practices.

In 2023, between **Low Risk**
and audited factories
we covered
98% of our **FOB value.**



Photo – Factory 12454 in Bangladesh

APMR system – assess, prevent, mitigate, remedy

Of our textile production in 2023, 95,21% was located in medium, high and very high risk countries and therefore, under strict monitoring. In total, we produced in 17 countries around the globe and 9 of them are in higher risks locations. We have conducted risk assessment in all of them and this year we were able to also conduct audits in facilities located in the following countries: Bangladesh, China, Italy, Lithuania, Myanmar, Romania, Turkey, Vietnam. In 2023, we covered 98% our purchased volume by auditing or following up on audits performed between 2021 and 2023.

We decide which factory to audit based on a number of factors: if we have received complaints, if it is a long-term supplier and we know the relationship will continue, if we have identified major risks, if we have a strong influence and if there have been no previous audits.

In 2023, we commissioned audits to FWF in Bangladesh, China and Vietnam, covering 39,54% of our production volume for the year. The percentage raises to 49,01% when external parties audits are considered.

Monitoring and improving working conditions is not only done through audits, but also by working with other brands to follow up on existing reports, visiting suppliers and engaging with factories to implement actions. The results of the risk assessments and the comparison with the actual harms founded during audits and other monitoring activities will be

summarized in the next pages together with an overview of the most severe risks and harms we are following up in other higher risks locations.

Over the last ten years of our work with FWF we have seen considerable momentum, and while there have been notable improvements on all fronts, some pervasive issues remain. We believe the real strength of our work lies in the progress made on increasing transparency in the dialogue with our factories, crucial for identifying issues and making the necessary improvements, yet this is an on-going and gradual process.

Another significant challenge continues to be a fragmented supply chain, where, for some lines, we produce in many locations and with relatively small volumes of production regarding the factory's entire capacity. This translates into having little negotiating power, impacts our ability to effect positive change, and makes monitoring and remediation efforts increasingly complex. For this reason, we are continuing to put great emphasis into further consolidating our supply chain, which will remain in progress over the next few upcoming seasons.

As for the most pressing and persistent issues in our monitoring efforts, namely excessive overtime and achieving a living wage, even though we have invested much time and effort, effecting real change remains a challenge.



Photo – Factory 5843 in Bangladesh

China

General situation

China remains the world's largest producer and exporter of textiles and clothing. Its importance in the global context was again demonstrated during the pandemic and its aftermath.

Already before the pandemic, dynamics in the Chinese manufacturing sector have gone through rapid and dramatic changes, including labour shortages, fast-changing workforce, and transition to higher-end manufacturing. This can be attributed to a number of factors. On the one hand, oversupply at home, higher labour costs and the global increase of protectionism have reduced Chinese competitiveness. On the other, the Chinese government has enacted policies aimed at diversifying the economy, increasing the manufacture of innovative products, and improving living standards of workers.

The result was the growth of manufacturing expertise in the sector of technology, contrasted by the closing of many garment factories. In recent years, wages, employment laws and overall working conditions improved. However, despite these positive changes, Chinese factories are often in the spotlight when it comes to the labour conditions of workers. Wages are still too low, overtime exceeds legal requirements, social insurance is lacking, and freedom of association remains restricted by law.

Since it is also one of our key objectives to guarantee that the people who make our products can work in decent conditions and earn fair wages, we have increased our efforts towards monitoring and following up corrective measures in the factories.

Main risks

According to our risk scoping, China is a high risk country and report a low performance in the Global Rights Index which rates the compliance with collective labour rights and document violations by governments and employers of internationally recognized rights.

Not surprisingly, the area where the majority of risks lays are:

- Freedom of association
- Living wage
- Forced labour
- Discrimination

Working hours

The factories we source from

In 2023, it also remained our largest sourcing country not in terms of FOB volume but in terms of the number of factories we worked with.



Photo – Factory 3919 in China

Our supply chain is fragmented, our production is spread across many factories, some of them quite small: 14,60% of the volume split into 15 factories means the average FOB we had per facility was 0,97%. This is a challenge for the quality of our communication with the supplier and consequently, our monitoring and remediation efforts. Our long-term sourcing strategy to consolidate the supplier network and relocation to a more stable economic environment for our products remains in progress and will surely help to ameliorate these issues. After sourcing in 73 factories in China in 2015, we reduced the number of facilities to 51 in 2016, then further down to 38 in 2017, in 2018 we concentrated our production in 32 factories, in 2019 we produced in 25 facilities and in 2020 we made clothes in China with 21 factories and in 2021 in 19 facilities. In 2022, we achieved a further reduction, working with 16 factories which diminished to 15 in 2023.

Even though we continue to make progress in shrinking our supplier base, at 15 it is still quite large, and our efforts continue. A particular challenge here is to carry out consistent monitoring in the smallest factories: subcontracted by our business partners (i.e. we have no direct relationship with them) on an on- and-off basis, with anywhere from 18-40 employees, where we have very small volumes but make up a considerable portion of the production capacity, an official or full audit is neither feasible in the short term nor practical in the long-term. This year we commissioned FWF to carry out two audits in China, one in February and the other in December. The first was conducted at an apparel factory frequently used as an authorised subcontractor by one of our long-term Chinese suppliers. This is a unique supplier; it is the only case in our supply chain where the two factories owned by the supplier produce both clothing and sleeping bags and tents.

The factory audited produces indirectly for us and this was the first time we had asked a third party to audit the site, resulting in 21 findings. The factory is small and employs 22 female workers. Consistent with our risk assessment and other monitoring reports in the country, the audit found issues related to excessive overtime, inadequate wages, lack of awareness of freedom of association, and health and safety.

We were able to immediately resolve 6 findings related to health and safety issues, such as missing guards on machinery, inadequate fire alarms and the unknown quality of drinking water. The site is not unionised and there is no worker representative, but an internal grievance mechanism has been set up where workers are provided with various means to submit grievances, such as suggestion boxes and verbal complaints, but no record of responses was found.

Another major problem in the country, and this site is no exception, is excessive overtime. In terms of wages, it was found that production workers were not paid for their annual or statutory leave, there was a gap in overtime pay and payslips were not always provided. We are addressing all of these findings and are seeing some results, but not enough yet to consider the issues fully resolved.

The other audit, carried out in 2023, was carried out at a new facility of a long-term supplier of technical equipment. We did not receive the audit report by the end of the year and were therefore unable to follow up on the findings.

Myanmar

General situation

On 1 February 2021, the Burmese army seized power in a military coup, imprisoning Aung San Suu Kyi (de facto Head of State) along with the leaders of her party and declaring martial law.

The motives of the coup are linked with the November's 2020 elections, when the army chief Aung Hlaing and the generals claimed election fraud, after the military backed Union Solidarity and Development Party (USDP) lost by a landslide by becoming the opposing party of National League for Democracy (NLD).

The February event led to the creation of the Campaign for Civil Disobedience (CDM) a group of opposition activists that started to organise strikes and mass protests in the country.

Since the coup, hundreds of thousands of Burmese citizens have taken to the streets, regardless of the threat of tanks and gunfire.

In April 2021, the National Unity Government of the Republic of the Union of Myanmar (NUG) was formed by NDL members and other parties. It became a government in exile supported by the Burmese citizens whose legitimacy has been recognised by the European Parliament. The following month, the NUG announced the formation of People's Defence Forces (PDFs) as its armed wing and launched an armed revolution against the military junta.

Days passed, the violence against the demonstrators escalated and nearly 3,000 people have been killed and several thousands have been arbitrarily detained. What started as civil disobedience has soon turned into a civil war across Myanmar.

The political and social instability had inevitably important economic consequences in the entire country. The following difficulties in shipping logistics and production slowdowns have halted the economic growth.

The country's situation has been further threatened by the decision of some companies to cancel orders or stop sourcing in Myanmar.

As soon as we heard about the coup in 2021, we immediately contacted the suppliers to ask for an update on the situation in the country and the workers, seeking understanding and providing support where possible. The utmost care has been taken to assess the impact of the coup and the martial law on the workers. We were mainly concerned by the endangerment of people life and safety, the loss of human rights, jobs and freedom of association.

Our collaboration with Burmese factories started in 2014 and currently part of our production is made in two manufacturing plants in the city of Yangon. A member of our Quality Controlling team is Burmese and monitors the factories on a daily basis.

The country internet connection was slow, and communications were partly intercepted by the military. Despite this, the dialogue with the factory owners, the local management and our Burmese Quality Controller has been continuous. All the information we received, were then checked with all the three parties to assess their reliabilities.

We have been highly concerned about the escalation of violence and the safety of our staff and factory workers. We have requested assurance from Factory Management that their rights were respected, that they could freely choose to participate in demonstrations, that their salaries were paid regularly despite partial bank closures and that no penalties or deductions were applied if they were unable to get to work due to roadblocks or dangerous situations. Both factories, we were sourcing from in 2021 had an active labour union or labour rights organisation and we made sure that workers could file formal complaint via hotline. Already before the coup, we had run an advanced due diligence program to check suppliers for child labour and military connections. We further requested confirmation of this last aspect, asking our suppliers again if they had links with MEC, MEHL or other military bodies, and requesting a specific statement from their side to make sure they didn't support the Military junta.

Throughout 2021, 2022 and 2023, our focus on Myanmar never wavered, and we managed to keep the situation under constant review. Collaboration with other stakeholders has also been essential in being up to speed on the workers' situation in Myanmar. Continuous updates with Fair Wear Foundation and other brands that, like us, work with Burmese factories has helped us to exchange important information and has allowed us to stay alert and closely monitor possible violations of rights.

In 2023, we continued to internally discuss whether to source the next seasons from Myanmar or to answer the call of many NGOs that asked international brands to stop their activities in the country. They argued that due diligence was no longer possible given the escalation of the internal conflict.

The situation in Myanmar is complex, and keeping our production in the country involves risks, but we also believe that ending the relationship with our suppliers would only worsen the situation for the workers who make our products.

It is beyond discussion that brands that are producing in Myanmar are incentivized by the advantages that the country offers, in economic terms. It is equally indisputable that sourcing in Myanmar is not "business as usual". As all European brands sourcing in the country,

we benefit directly from economic advantages extended to Myanmar exports under the EU's EBA program whose objective is to foster development through international trade. As we understand them, these privileges go hand-in-hand also with important obligations.

Our responsibility entails carrying out heightened due diligence within the factories that make our products, under the UNGPs on Human Rights and OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector, through exceptional measures. This to make sure that workers' rights are being respected and their situation improved. Under the particular circumstances in Myanmar, where personal safety is at greater risk than in other countries and workers may be generally afraid to speak up about issues, it is under our responsibility to ensure that we do not expose them to even more danger, or that business is done at their expense.

We thought that if we stay, we need to have a closer look into the factories, ensure that they are aligned with us and willing to cooperate, and actively participate in the realization of workers' rights in collaboration with other factories and local stakeholders.

After consulting a range of local stakeholders, reading reports on the situation, and evaluating what is happening in our partner factories, we came to a conclusion: human rights due diligence is more difficult than it used to be, but it is still possible.

We decided to remain engaged in Myanmar.

Our decision to continue is the result of careful consideration and based on 3 pillars: first, how our operations work; second, what organizations working in Myanmar are reporting and the projects they are currently carrying out to improve workers' lives; and third our partnerships.

Our suppliers have informed us that it is possible to do business without interference from the military. Furthermore, based on our long history of working with them and careful assessment, we can say that they already have good social compliance systems in place. Through open and transparent conversation, they assure us that it is possible to continue producing in the country and that they will continue to respect and improve workers' conditions in the company, provide all necessary information, and grant access to third party experts to carry out audits. They are willing to study and implement improved measures to better the situation of workers, including wages, improve planning to eliminate or reduce overtime and stress, support worker organizations and grievance mechanisms, and also to cooperate with local stakeholders to enable skills development and empowerment.

Over the past few months, they have proven to be reliable partners,

able to provide all the information requested in a timely and transparent manner. They understand the reputational risks we face and the Fair Wear Foundation's requirements that we must meet in order to continue sourcing from the country, and in response they are being even more transparent than before.

Our suppliers have told us that other factories in the area - and their current and former workers - are suffering from the departure of other brands and the crisis in the local market. Another factor of change is the placing of orders by Asian buyers.

Our sourcing staff are in constant contact with the factory. We also have two Myanmar quality controllers who visit the factories almost daily and confirm that it is still possible to work in the country if efforts are stepped up to address the difficult conditions. They are our eyes and ears in the factories, keeping us informed of changes and helping us to triangulate the information we receive from suppliers.

As part of our due diligence, we read articles and research results. Reports that address the situation for workers and economy of the country confirm that due diligence is more difficult than it used to be, but it is still possible. The data also clarify doubts about the financing of the armed forces as a result of operations in the country by international brands, showing that the garment sector is not a significant source of income for the military junta. It can therefore be excluded the indirect link between us, our partners, and the military. Furthermore, the factories we work with are not owned (either wholly or partially) by either of the two military-owned economic conglomerates; and the land where the two factories operate is located on industrial zones that do not belong to the military either.

Local stakeholders and projects with years of experience on the ground, who have collaborated with factories and especially with workers, and conducted interviews with both, have urged us not to leave. "By engaging as a company in discussions with local labor rights groups on wages and labor conditions you can have leverage. By leaving the country, it is difficult to see how you can have an influence on local conditions" (Karina Ufert – CEO EuroCham Myanmar).

As brands, we cannot monitor factories alone and fully understand the objective and perceived risks; we need intermediaries and trusted, local partners to help us analyze the situation and act with greater precision and impact.

Our main local stakeholder for carrying out the enhanced due diligence required in Myanmar is the MADE Project, co-funded by the European Union and staffed by professionals with extensive experience in the field. It brings together local stakeholders and international sourcing brands committed to strengthening and safeguarding responsible business practices, that focus on establishing and maintaining high social, environmental, human rights, and gender equality standards.

The largest component of MADE is the SMART Factories Program, which enables us to better assess social compliance and chemicals management and make progress in promoting dialogue at the workplace. The SMART Program has been operating in Myanmar since 2019 and both factories we work with have been and will continue to be monitored under this scheme. One of our suppliers has been enrolled in the SMART Social Compliance Programme and the other is already scheduled to join the MADE Workplace Relations Programme next year. Workers and management at both sites have benefited from numerous training sessions aimed at improving wellbeing and the working environment.

Another valuable stakeholder and partner that gives us regular updates on the situation of the country and the industry is the European Chamber of Commerce (EuroCham) Myanmar. In meetings with its members and at international events, it advocates for companies to stay in Myanmar under the premise that "in the current situation, it is more essential than ever that all those who source from Myanmar focus on ensuring decent work including safety, a living wage, and freedom of association for all workers, including women who represent the vast majority of workers".

Its 151 European company members receive daily updates on the situation on the ground (security, economic, and political updates) and have the opportunity to participate in monthly industry meetings and thematic events with external stakeholders, such as the EU Ambassador, OECD, World Bank. As we are active in the textile industry, we participate in the EuroCham Myanmar Garment Advocacy Group, which brings together 35 European brands sourcing in the country.

We are a member of MADE and EuroCham Myanmar, and thanks to their regular updates and guidance on the factories and country situation, we are able to undertake a heightened due diligence on our Myanmar factories, incorporating the latest information and recommendations fit for the evolving local context and risks.



Photo – Factory 14381 in Myanmar

Heightened Due Diligence

In 2023, we conducted our heightened due diligence based on the Fair Wear Foundation's requirements. Our long-standing and key partner in factory social compliance has conducted its own assessment of the current political situation and has set additional requirements for brand members wishing to remain in Myanmar to assess our due diligence plan, efforts and results.

To create synergies and better monitor the situation, along with understanding what evidence is needed to prove that it is still possible to do business in the country not on workers and their rights expense, we continued the discussion we started in 2022 with the other FWF member brands that have decided to continue working in the country. The level of exchange between us brands was high and fruitful, we have a common front and we keep each other informed of the challenges we face. We all do our due diligence separately, but we share ideas, best practices and alerts and tips on situations to better investigate.

As a first step, the FWF asked us to explain the rationale for continuing to source from Myanmar and to demonstrate that we have a plan to adequately respect human rights through enhanced due diligence in our factories. In September, we published a clear statement on our website (<https://www.oberalp.com/en/press-media/oberalp-remains-engaged-in-myanmar>) that aims to be transparent about our reasons and provide a clear picture of all the stakeholders involved in our monitoring.

We are aware that this level of detail may not be industry standard, but we wanted to explain all the steps behind a strong business decision. We are proud that our communication has served as a basis for other brands who have also decided to go public with their vision for Myanmar.

Recognising that due diligence is directly linked to sourcing practices and supply chain specifics, the FWF decided to focus the energy of its member brands on implementing and demonstrating the human rights situation for each production site.

They created a template that allows us members to share the details of the performance of each factory we work with and their progress over time. The topics covered are:

1. Freedom of Association and access to remedy. In this part we share all the information connected to the role of Workplace Coordination

Committees election, training and functioning; the position that the factory has in relation to freedom of association; details on the cases discussed between WCC (or union if present) and factory to make sure that the cooperation is good and there is no management interruption.

2. Grievance mechanisms and effective remedy. All the information about the channels used by the workers to express their complaints and suggestions are identified and their effectiveness assessed. We illustrate all the actions done to create an enabling environment for workers to have their voices heard.

3. Forced Labour. In this section we share our purchasing practices and the effect they can have on the working hours and pressure. We also make sure that the overtime is voluntary and that there are no forced labour signs.

4. Economic linkages to the military. Our factories are not owned by the military but we are asked to share evidence that there are no links with the army. Even though providing negative evidence is impossible we do our best and we make sure that the factories are not engaging with service providers or other entity that has been listed in the US and EU sanction lists.

5. Security risks. The first concern is to make sure that both workers and our personnel are safe. For this we keep monitoring the curfew period, that transportation is ensured and that they way home is safe.

6. Salient risks. The due diligence in the Burmese factories does not forget about all the widespread risks that the general textile supply chain has. This goes from wages to excessive overtime, from contracts' types to unfair dismissals.

7. Credible information. We keep us updated on the change through different channels: daily news from EuroCham, monthly GAG meetings, QC, FWF and suppliers updates, exchange with other sourcing brands, complaints, research and reports.

8. Reporting. We use our company website and our reports (contribute and social report) to share with the public all the information, challenges and results.

The decision to continue sourcing from Myanmar has been a difficult one, but we believe that by working with garment factories and monitoring that workers' rights are respected and improved within the factories, we can make a difference to workers' lives.

We work with local and international civil society actors, such as MADE in Myanmar (a project co-funded by the European Union with three sub-projects - the largest being the SMART Factories programme), to find ways to involve local workers' committees or unions. The main

objectives of involving these stakeholders are to hear workers' voices, to actively promote participation and dialogue mechanisms, and to obtain reliable data from workers in order to better assess conditions and the protection of human rights, to really confirm that we are improving workers' lives. All the more so in this difficult situation, the focus must be on workers and their conditions.

In 2023, we also began working with Ulula, a company that provides anonymous, digital and inclusive feedback and engagement systems to identify, prevent and manage human rights impacts across the supply chain.

We have been working with them since the end of the year with the aim of designing and implementing two worker surveys that will give us a better understanding of the working conditions in the factories and the areas that still need improvement.

Main risks

The combination of the four indices (the World Bank Governance Indicators, the Human Development Insights, the Global Rights Index and the World Economic Forum's Gender Gap Index) places Myanmar in the very high risk category.

It is the only country we source from that has this status and we conduct our due diligence accordingly.

We focus our attention and efforts to ensure that conditions in the country allow us to do business not at the expense of workers. Labour standards more at risk are:

- Forced labour
- Freedom of association
- Living wage
- Working hours
- Child labour

The factories we source from

We keep a close eye on our suppliers through third party audits, frequent exchange with our QCs and check of the complaints, focusing in particular on the risks highlighted in the second stage of our risk assessment.

In 2023, we purchased finished products from two factories in Myanmar, representing 9.45% of our total FOB, and enrolled the production site where we have the most influence in the SMART Factories Programme social compliance option conducted by MADE. MADE's assessments of factories' compliance with labour rights and environmental, health and safety (EHS) standards are often more

demanding than audits conducted by other organisations, as MADE aims to push factories beyond legal compliance towards industry best practice.

The initial assessment lasted three days and identified areas for improvement and made recommendations for corrective action, all of which were verified in a follow-up visit two months later. The programme took a total of five months to complete, culminating in a final inspection where the factory's commitment to continuous improvement, dedication and proactive approach resulted in a completion rate of 86% for labour rights and 78% for EHS.

At the beginning of the programme period, the site social compliance team consisted of 10 members, but monitoring practices needed improvement as there were no clear responsibilities assigned to each member. In addition, the team did not adequately cover key social compliance areas such as working hours, overtime calculation and grievances. Following MADE's recommendations, the factory restructured its social compliance team and began improving social compliance in the factory.

Many policies that were initially found to be good but had not been updated recently or did not contain all the necessary information were revised, including the recruitment policy, pregnant worker protection policy, no child labour and protection of young workers policy, leave policy, promotion policy, remuneration policy, disciplinary policy, freedom of association policy, Workplace Coordination Committee (WCC) policy and grievance policy. The policies were translated into Burmese, posted on the notice board and the relevant teams were trained on the changes.

During the first visit, the factory did not comply with the regulations on working hours and remuneration. During the most recent visit, the factory was found to have improved the calculation of overtime rates and to have clearly communicated updated wage calculation information to all workers.

With regard to the WCC, regular meetings were held, but initially not all relevant issues were discussed. Following the proposed corrective actions, the agenda for the WCC is prepared, taking into account information on the receipt of different grievance channels, meeting information and discussion topics. Regarding grievances, the factory has established an overall grievance register and keeps all details of grievances and their respective resolutions, however, based on worker interviews, most workers indicated that they do not clearly understand the grievance channels, feedback and handling procedures. Although the factory resolves all grievances reported through various channels

in a timely manner, workers' awareness of grievance handling and feedback needs to be improved.

In 2024, the MADE team will invite WCC worker representatives from the factory to participate in training on social dialogue and effective grievance mechanisms, and additional activities will be carried out to raise workers' awareness of their right to freedom of association.

In the coming year, we will continue to work with the factory to address the few outstanding issues that still need improvement, such as leave requests, establishing procedures for hiring temporary workers, improving fire safety, improving clear communication between supervisors and line workers, and continuing to monitor other issues such as overtime, WCC awareness and grievance resolution.

Vietnam

General situation

In recent years, Vietnam has become a major producer of outdoor apparel, especially footwear, and is now one of the world's top five garment exporters, but in 2023 it had to contend with different challenges: the global economic slowdown, fuelled by inflation and geopolitical tensions; supply chain disruptions linked to higher raw material costs and logistical bottlenecks; and rising labour costs.

Apart from the year of pandemic closures, 2023 was the toughest year for textiles and clothing. The value of exports fell by almost 10% compared to 2022.

Main risks

Vietnam is considered a medium risk country, which means that we monitor it but don't prioritize it over others. Nevertheless, we keep the factories on our radar, thanks also to the three QCs we have on the ground and the frequent visits of our Italian staff. We started working with the country more than 15 years ago and have seen many changes and improvements in the overall situation. The main challenges in Vietnam remain:

- Working hours
- Living wage
- Freedom of association

The factories we source from

In terms of our own supply chain, Vietnam is where most of our FOB comes from. In 2023, 30.43% of our total FOB was produced in 11 factories in Vietnam.

In 2023, we had two of our Vietnamese factories audited covering almost 42% of our production volume in the country. Both suppliers were already covered by an FWF audit, but we decided to conduct another one to better follow up on a few issues together with the other FWF member sourcing brands. In both cases, one of the other brands took the lead on the corrective actions plan.

The first audit was conducted in April 2023 at one of our footwear suppliers. We tend to monitor this factory closely, not because of its risks, but because it is a strategic partner for us, producing a large proportion of our total FOB.

Many of the findings from the previous audit, carried out in 2022, have been resolved, but there are still some areas for improvement. In total, the FWF audit identified 22 issues relating to health and safety, wages, working hours, discrimination and freedom of association.

Workers are unaware of labour standards, even where training has been provided, and of factory policies. The union also needs improvement, as the current president is also part of management and dialogue is not in accordance with the law.

The factory has a written anti-discrimination policy. The policy states that the factory will not discriminate against workers on the basis of race, caste, origin, religion, age, disability, marital status, sexual orientation, union membership and political opinion in hiring, compensation, training, promotion and termination. The policy states that workers can complain to the CR department if they are discriminated against or harassed. Workers reported that they are not discriminated against by the factory and it was confirmed that men and women have equal access to all types of jobs and receive equal pay for the same work. In addition, some problems were reported in relation to insured pregnancy, maternity benefits and teasing between workers.

Working time practices need to be monitored more closely, as overtime agreements are often not signed and breaks are not always provided. Workers are paid above the legal minimum wage, but living wage benchmarks are still not met. In addition, severance payments are not in compliance with the law.

Isolated problems with safety policy and management, machine safety, fire safety and ergonomics.

The second audit took place in August and was the result of more than a year of negotiations. In 2022, we asked for an external assessment of the factory, but the auditor behaved unethically while interviewing the workers. In the following days, workers who met the auditor reported

to factory management that they were scared and felt that something was wrong. Workers were approached by the auditor while they were at the ATM machines and followed into their homes against their will. The auditor started asking questions in the neighborhood to find out where the workers lived and offered them money to talk about the factory.

We agreed with the factory to put the external audit on hold and investigate further. We had extensive discussions with the external service provider to understand the situation and improve their practices.

When the audit finally took place in 2023, 14 findings were reported, most of which related to health and safety.

The legal minimum wage for the region where the factory is located is VND3,640,000. The factory pays its workers more than the legal minimum wage, but less than most living wage estimates provided by FWF. Overtime is also a problem for the factory, and even though we don't contribute directly to it as we don't place urgent orders, we have to address it.



Photo – Factory 5414 in Vietnam

Bangladesh

General situation

Bangladesh is the world's second largest exporter of RMG (ready-made garments), and apparel production is one of the key industries driving economic growth. Most major apparel retailers manufacture in Bangladesh and their relative weight in the local economy is large compared to ours. However, we take our share of responsibility and invest significant resources in strengthening our links with factories, transferring know-how and technology, and in our due diligence and social compliance work.

One of the main concerns associated with the country is workplace safety. This issue was highlighted by the collapse of the Pana Plaza factory building in Dhaka on 24 April 2013. It was the worst ever workplace accident in the garment industry, killing 1,134 workers and injuring nearly 2,600. Subsequent investigations revealed that the disaster could have been avoided, as the structural cracks that led to the collapse of the eight-story building had been discovered the day before. The disaster highlighted the safety conditions faced by workers and the need to compensate the families of the victims.

In May 2013, the Accord on Fire and Building Safety, a legally binding agreement, was launched to create safer workplaces. It was launched by trade unions and brands, and 186 companies signed it in the following years. In April 2018, the High Court of Bangladesh issued an interim injunction on the Transitional Accord, which will result in it ceasing to operate in May 2020. On 1 June 2020, the functions of the Accord were transferred to the RMG Sustainability Council (RSC), a non-profit organisation established and run by global apparel companies, trade unions and manufacturers - the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) - to ensure that the safety progress achieved by the Accord since 2013 is maintained and expanded. The RSC took over all the operations, staff and infrastructure of the local Accord office in Bangladesh and began operating as a permanent safety monitoring and compliance body for the RMG sector in Bangladesh.

When we started sourcing from Bangladesh, we included in our sourcing policy the requirement to only work with Accord, and later RSC, to audit factories and we asked our suppliers to continue to work on the outstanding issues of the CAPs to eliminate issues of structural risk.

At the end of 2022, after conducting our risk assessment for Bangladesh, we decided to sign the Accord and we have started to share our perspective as a signatory brand with other Fair Wear

Foundation member brands so that they could more easily access information that could lead them to sign it.

The current name of the agreement is “International Accord for Health and Safety in the Textile and Garment Industry” and consists of three key programs: Independent fire, electrical, structural and boiler safety inspections, Health and Safety Committees and OHS training program, Worker Safety and Health Complaints Mechanism.

In 2023, negotiations between representatives of international textile retailers and the global trade union signatories to the International Accord on Health and Safety in the Textile and Garment Industry have culminated in an agreement that reaffirms their commitment to enhancing health and safety throughout the supply chains of the brand signatories. Brands and trade unions have renewed their commitments for an extended three-year term, with an automatic renewal of another three years making it the longest Accord commitment to date. The renewed International Accord is a legally binding framework agreement under which Country-Specific Safety Programs (CSSPs) are implemented in Pakistan and through the RMG Sustainability Council (RSC) in Bangladesh, with the provision to develop future health and safety programs in other major garment-producing countries based on feasibility and expansion criteria.

Each year we have to provide the Accord with the list of suppliers we source from, together with the FOB generated, so that they can carry out the inspection and calculate the fee we have to pay to be part of the programme.

For each factory, a lead brand is appointed between the Accord member brands sourcing from the same factory. Their role is to review the factory's proposed CAP, check that all the requirements requested by the RSC are clear, discuss the remediation budget and financing plan, and follow up if improvements are not made within the originally proposed timeframe. It is important to note that the lead brand is the coordinator of the actions and all other brands have the same obligations.

Every factory we source from is under RSC inspection and actively engaged in remediation.

In 2023, the new minimum wage negotiations, coming five years after the last wage update, and their results sparked protests in the country. On 7 November, Bangladesh's Ministry of Labour and Employment announced the new monthly minimum wage of 12,500 taka (\$113), which was immediately seen as a disappointing measure.

We recognised that apparel brands and retailers sourcing in Bangladesh have a role to play in enabling the setting of a minimum

wage that is the result of stakeholder consultation, is consistent with a decent standard of living and takes into account inflationary pressures. We demonstrated our commitment to this cause by signing a joint brand letter to the Prime Minister and stressed the importance of implementing responsible sourcing practices to achieve good outcomes.

Main risks

Bangladesh is one the country we monitor more in the Asian continent. we have three QC on the ground and many of our colleagues from the Italian offices often travel to visit the facilities. We started the production in the country in 2014 and since then we have gathered many information about the potential risks that we face in the local supply chain. According to our risk scoping, Bangladesh is a high risk country.

The labour standards that face more risks are:

- Living wage
- Working hours
- Child labour
- Legally binding contracts
- Health & safety

The factories we source from

For us, Bangladesh is one of the most important countries we source from, producing 26,86% of our total FOB in 2023.

We share three factories with other FWF member brands and around 92% of FOB was produced in a factory that was audited by a third party during the year.

One of the factories has been identified as higher risk and we are monitoring it closely. We organise a third party audit every 12 months



Photo - Factory 5843 in Bangladesh

to objectively and directly verify the improvements made during the frequent CAP follow-ups. In this case, we also extended our inter-brand collaboration to include another non-FWF member brand. The idea was to have more leverage, but more importantly to discuss different approaches and past experiences with the supplier. We created a working group of 4 brands and had several meetings with the factory management to discuss progress. In September, the fifth audit was conducted by the FWF team.

In September, the fifth audit was conducted by the FWF team. The factory management was cooperative and open to making some changes, but the main findings remain the same as the previous report we received. Findings related to excessive overtime, payments below the legal minimum for workers on training contracts, verbal violence and problems with recruitment procedures are still recorded. Improvements are very slow, but we can't stop. In 2023, a new FWF member brand joined the factory, and after briefing them on all the findings and their evolution, we all agreed to give them the lead and see if a new approach would be the change needed to accelerate improvements.

The same factory was also at the centre of an Accord escalation process for failing to address some RSC requirements within the timeframe set. The escalation process was at stage 2 when the factory managed to improve the outstanding issues and meet with the RSC team to provide evidence. If the factory had reached stage 3, it would have been ineligible to produce for Accord members for 18 months.

In June 2023, an audit was organised by us and another FWF member brand sourcing from the same factory. The site was already covered by another external assessment, but we wanted to get a better

overview of the factory's overall situation. The management team was cooperative, and all documentation was shared. The factory's policies and procedures were found to be robust and the general working conditions good.

Some aspects still need to be improved, such as the handling of complaints. The factory has various channels for collecting suggestions and complaints, but the process needs to be streamlined, the workers' committee needs to be involved, and workers need to be trained.

The factory pays more than the legal minimum wage, but not a living wage, and overtime is still an issue.

We are working with the other brand, which is the lead on the CAP, on a specific finding that we have followed up. It concerned the incomplete injury register and the lack of reporting of such accidents to the government authority. As we are part of the Employment Injury Scheme (EIS) pilot initiated by the Government of Bangladesh, the ILO and the German Social Accident Insurance (DGUV), we worked with another sourcing brand (also part of EIS) to address this issue. Sharing all information about workplace accidents is essential to the success of the pilot. Without this, the people who are entitled to a pension cannot be found. Another aim of the EIS is to improve the overall injury system, not just the one that results in permanent disability or death. We have also provided the factory with a platform that can facilitate the reporting process: the Labour Inspection Management Application (LIMA). All factories, through designated personnel, can register in the system and report cases digitally, eliminating all the paper reports that were previously required. To familiarise factories with this new tool, we invited them to a free training session organised by GIZ, a partner in the EIS project.

Other Risk Countries

	Forced labour	Child labour	Freedom of association	Discrimination	Working hours	Living wage	Health & safety	Legally binding contracts
Romania			•		•	•	•	
Turkey	•	•	•	•		•	•	

A deeper look into wider challenges and the most pressing issues

Living wage

A living wage is the compensation necessary for a worker to meet his or her basic needs and provide some discretionary income. It should be earned during regular working hours and must not include overtime pay or incentive bonuses.

Workers in the garment industry often earn poverty-level wages and fair compensation is therefore one of the challenges we face. Through auditing and communication with our suppliers, we have been able to ascertain that in all the factories we collaborate with, the basic requirement of paying the minimum wage established by Law is met, but we also know that this amount of money is not enough to enable the workers to achieve good living conditions. The key to obtaining significant improvements on the payment of a living wage is through setting a reliable and strong process.

Studies in Living Wage and advice provided by our stakeholders in this matter (Clean Clothes Campaign, Fair Wear Foundation, the Global Living Wage Coalition), say that in order to do this, a Company must have:

- Living wage commitment
- Clear benchmarks for a minimum living wage
- Purchasing practices that make living wages possible
- Transparency
- A clear roadmap for implementing a living wage for all workers



Photo – Factory 5843 in Bangladesh

Complexity

Being committed is not enough, it is not just a matter of allocating the resources. There are many risks that have to be taken into account in making a case, and setting the process for a Living Wage. We began to build this process more than 5 years ago, and have faced many questions and challenges. Like any other project in a Company, a case has to be built for dedicating resources, human and financial, into assessing the situation and, if a problem were to be found (i.e. lack of payment of living wages) and the need to solve it arose (making sure that workers in the factories making our products receive living wages), reserve the financial resources required. Some of the questions or problems we needed to solve:

- Is there resistance from the Purchasing department to address the issue with supplier for fear of higher quotations or termination of relationship?
- If working with an intermediary, is he willing to cooperate and involve the factory in the discussion?
- Is a long-term relationship or an important one at risk, if we address this with the supplier? Will this damage the dialogue and the trust, rather than strengthening the bonds with the Company?
- Are suppliers willing to disclose the wage structure of the factory?
- Are suppliers willing to implement or disclose minute costs within labour costs?
- Would the Purchasing department be able to reduce margin or is it bound to targets imposed by the Company?
- Would the Company be willing to allocate budget to cover extra costs of wage surplus in the factories?
- Is it really worth it, i.e. what is the impact, if we have such low leverage (we purchase small volumes) in the factories?
- Are other brands willing to participate in the joint financing of Living Wages (to counter the lack of leverage in factories where there are no other FWF members sourcing)?
- Lack of reliable sources for determining the target wages, i.e. what constitutes a living wage in each country and region where our products are made.
- Additional payments not arriving to the workers

The process

Before delving into the Living Wage scenario, we made a “SWOT” analysis of the status quo and position of our Company:

Strengths

- Consolidated suppliers and factories base
- Committed staff
- Good relations with most suppliers
- Open Costing
- High volume of audited factories - suppliers disclosed information

Weaknesses

- Low leverage at most suppliers
- Low reliability of information provided
- No experience in living wages
- No reliable information in living costs in locations
- High pressure for keeping the margin and low cost
- Complex price structure (open costing but some items are paid per piece and “labour costs” are a closed amount, not transparent and with no “ppm”)

Opportunities

- Make real steps in living wage and improving workers’ lives
- Getting an overview of cost structures in the company

Threats

- Losing suppliers
- Low or no impact – workers for the manufacture of our products
- change, it is difficult to ensure that the extra sums reach them

The beginning – and the end

FWF’s motto reads “Start paying higher wages. Now. Analyse what worked and what didn’t. And then keep going”.

FWF’s position on living wage payment is much broader and more complex. The process is made of little achievements and “measuring wages doesn’t always give a picture about the brands measures and steps taken already. It is key to also measure the steps that are taken in between. Let’s not forget that many steps must come before brands are able to tackle wage improvements with their suppliers”(FWF). Recommendations from NGOs on Living Wage studies and reports repeat continuously that brands must pay higher salaries. However, why should we assume that brands are not paying prices which are high enough? Why should we assume that factories do not pay living wages to workers? What happens if a brand makes sure to be paying wages which are high enough, but cannot make sure that they reach the workers?

It is important to be aware that, even though our commitment to ensure the payment of living wages is set in our Code of Conduct, incorporated in our price dealings and reminded to our suppliers on a regular basis, factories have the ultimate responsibility in ensuring the effectiveness of this: we pay for a finished product and must rely on our partners fulfilling their part i.e. effectively transferring the sum that we set out for covering fair wages, to the workers. And if factories assure us that they do pay living wages, but do not disclose wage details because of the confidential character of the information or for any other commercial reason, should we or do we have the right to assume the contrary? Not really. We should and will continue to work with our suppliers to gather the information to check IF they are already paying living wages, and make sure that we can jointly find solutions for those who are not. We need to involve them in this endeavor, because it is a common project. It is for the better of the workers, of the factories and of our products.

The long journey

Since the beginning of our partnership with FWF in 2013 we have gone through different scenarios for deciding how to best tackle living wages, and encountered a series of hurdles along the way. We reported this in our Social Reports quite generally, without going into detail, because we would rather give results and solid data; and during all these years, despite deep and constant work, we were able to make slow progress.

We restated our goal of making sure that living wages were paid in the factories, enounced some of the difficulties in obtaining information, and reiterated our will to continue the road we had commenced years back for:

- Calculating a reliable living wage benchmark to measure workers' pay against
- Having more transparent information from all producing factories
- Investigating potential solution, and our share in the relative costs

Thanks to our dialogue with Clean Clothes Campaign, we realized that some stakeholders out there were genuinely interested in following our progress, not just our success. So since 2019 we decided to let you have a deeper insight into what we have found, the challenges we had, and what we will do next. When we set off on the journey of Living Wages, we identified the need to:

1. Set a reliable benchmark or "target wage"
2. Get wage data
3. Get suppliers to confirm the target wage
4. Assess the gap

1. Setting benchmark is a very complex task. There is no single indicator for the amount that should constitute a living wage, and each country, each culture and even each person might have different parameters for what should fulfill a decent standard or for determining an acceptable amount of "disposable income".

At the time when we began to approach this matter, our intention was to make a pilot project with one of our long-term suppliers in China. So we studied the possibilities of discussing the benchmark suggested by FWF for China, the Asia Floor Wage (AFW). AFW establishes a benchmark of 4547 RMB for the whole country. However, China is divided into 32 regions, and each one is again split in 2 or more "wage" zones, for a total of 116 zones and 51 different minimum wages,

according to the living costs of each area. They range from 1000 to 2420 RMB and applying a unique benchmark, as the Asia Floor Wage, would not be accurate. As far as our factory base, facilities are located in 14 cities with 8 different minimum wages ranging from 1380 to 2200 RMB. This is why one of the most important tasks we gave ourselves was to determine a target wage per area, against which we could compare the factory wages.

Even very accurate studies by specialized organizations, international bodies and NGOs, do not provide a single answer which can be applied overall.

Some indicators given by thorough studies, like the work of the Global Living Wage Coalition are excellent but do not cover all the countries where we are active, and with the rapid changes occurring in the world, and inside the factories, can quickly become outdated: the GLWC report we decided to use for Bangladesh is from 2016.

2. Gathering wage data to be aware of the current situation and understanding which are the actions to take to ensure a living wage for all workers is quite complex.

One important matter in our work so far, is that up until now, we have focused on the factories located in "High-risk" countries, and left those located in "low-risk" contexts out, following the distinction made by Fair Wear Foundation: based on the assumption that the first set are bound to have rules and regulations in place be able to guarantee the upholding of the 8 labour standards, which includes the payment of a living wage, FWF sets a tough monitoring system for countries which fall under "High- risk", where this might not be the case.

We collect data on the wages paid by the factory and we collaborate with our suppliers in order to have an overall picture. We do this through third party auditing mostly with Fair Wear Foundation, who has experts in each country that provide full wage analyses, and constant dialogue with our suppliers. Then, we classify the total salaries into regular, benefit and overtime incomes for lower-paid and mode workers. The gathered information is the beating heart of the in-depth analysis conducted on the factories based in high-risk countries. Evaluating living wage requires high quality data, thus we can only process the

feedback from facilities that provide precise and reliable information, which in 2019 amounted to 85% of our FOB (high- risk only). Sometimes we also face an additional hurdle connected with the type of payment. Analysing wages in China, we have found that 32% of factories pay wages on piece rate, thus the salary amount is based on production output.

This is further complicated by the fact that workers may produce different items, with varying degrees of difficulty, in the same month, resulting in “output” that is not easy to compare.

Therefore, our due diligence regarding overtime and wages calls for checking that in factories where workers are paid “per-item”, prices negotiated with our suppliers allow for reasonable working times and wages.

3. Getting a confirmation from our suppliers on the accuracy of the “target wage” reflects the judgments of various organizations and suppliers. This data plays a fundamental role in the wage’s evaluation of the in-depth analysis.

In 2018, we defined a set of potential benchmarks to use in our analysis and in 2019 we put a lot of efforts in asking our suppliers if the living wages suggested were aligned with their experience. Unfortunately, this turned out to be a blind alley and we had to change course, yet again.

Our priority was not to lose the progress made so far and to continue to work consistently on this challenge. We therefore decided to try the strategy of a fellow brand who is also FWF member and thus committed to improving working conditions: taking the legal minimum wage increased by 20% as a benchmark, a good compromise between precision and ease of calculation.

In 2021, following the advice given by FWF, we decided to raise our benchmark by an additional 10%, meaning that we are pushing the wages to be, at least, the legal minimum wage plus 30%.

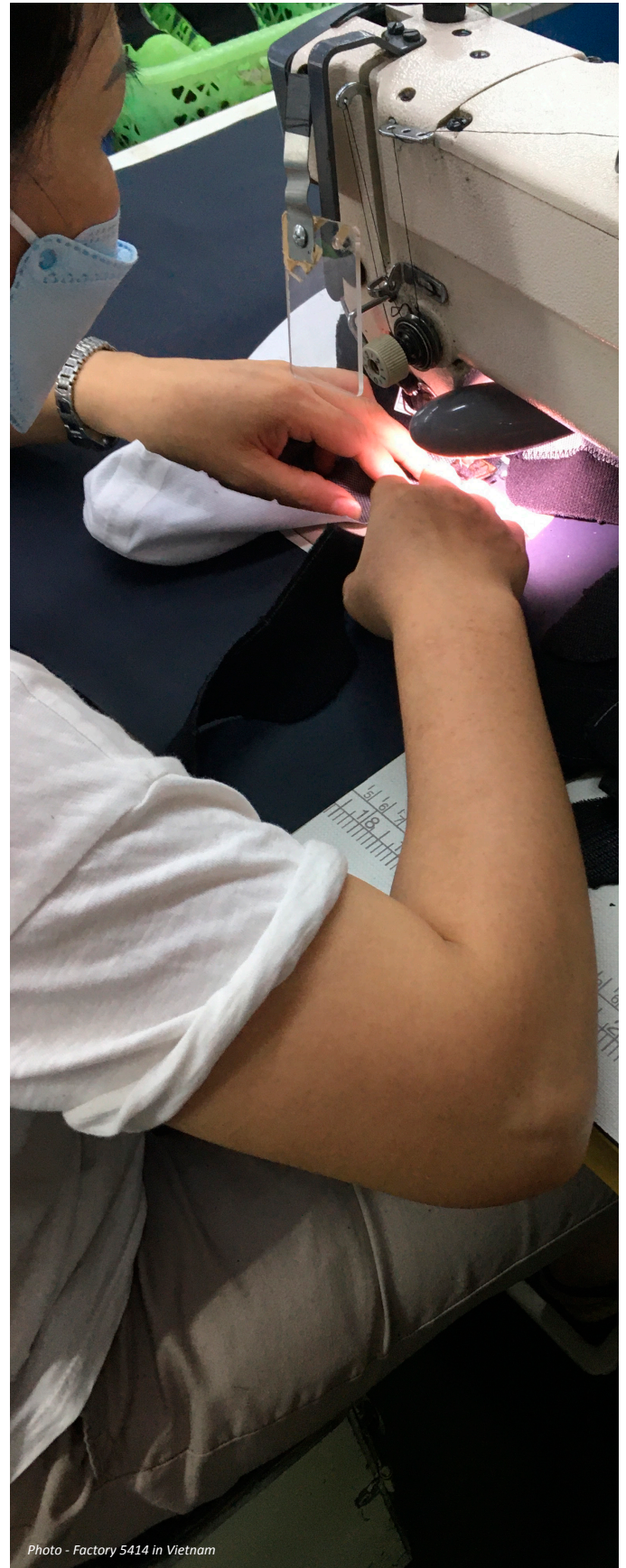


Photo - Factory 5414 in Vietnam

4. Assessing the gap the last step of the process.

In 2023, like every year since 2019, we applied the target wage as a parameter to evaluate wages in the audits conducted in the previous year, complemented by the wage data that we have collected for the past 2 years - after this timeframe, we don't consider wage data reliable. Our standard procedure in this analysis is as follows: as soon as we receive a new audit report, we check the information on wages and replace the data we had gathered beforehand, to make sure we are using the most updated information. In some cases the information provided is not enough to enable a good level of analysis; in those cases we do not rely on the information and use older data, if it's of better quality. In other cases, the degree of detail of the data is limited, but it allows us to carry out our analysis. Our goal is to make

sure the target wage is paid to each worker, so despite the scarcity of data, we aim to calculate the gap for the most disadvantaged category, i.e. the lowest-paid workers. We believe it also makes sense to make the calculation taking into account the earnings of the majority of the workers, i.e. the mode workers.

In sum, in 2023 we were able to conduct a more accurate analysis by cross-referencing the salary data of the lowest paid workers with the target wage (legal minimum wage + 30%). We found that for more than 70% of the FOB produced in the factories where we were able to obtain detailed information, the target was met by the mode workers. Including bonus payments in the equation, all the mode workers met the target and almost 69% of the FOB produced in factories with good quality information were paid the living wage benchmark set by the Global Living Wage Coalition and the Wage Indicator.

We will continue to perform this analysis with our suppliers, taking into account the best-quality information we are able to get in terms of wage data.

WAGE ANALYSIS - AUDITS 2023

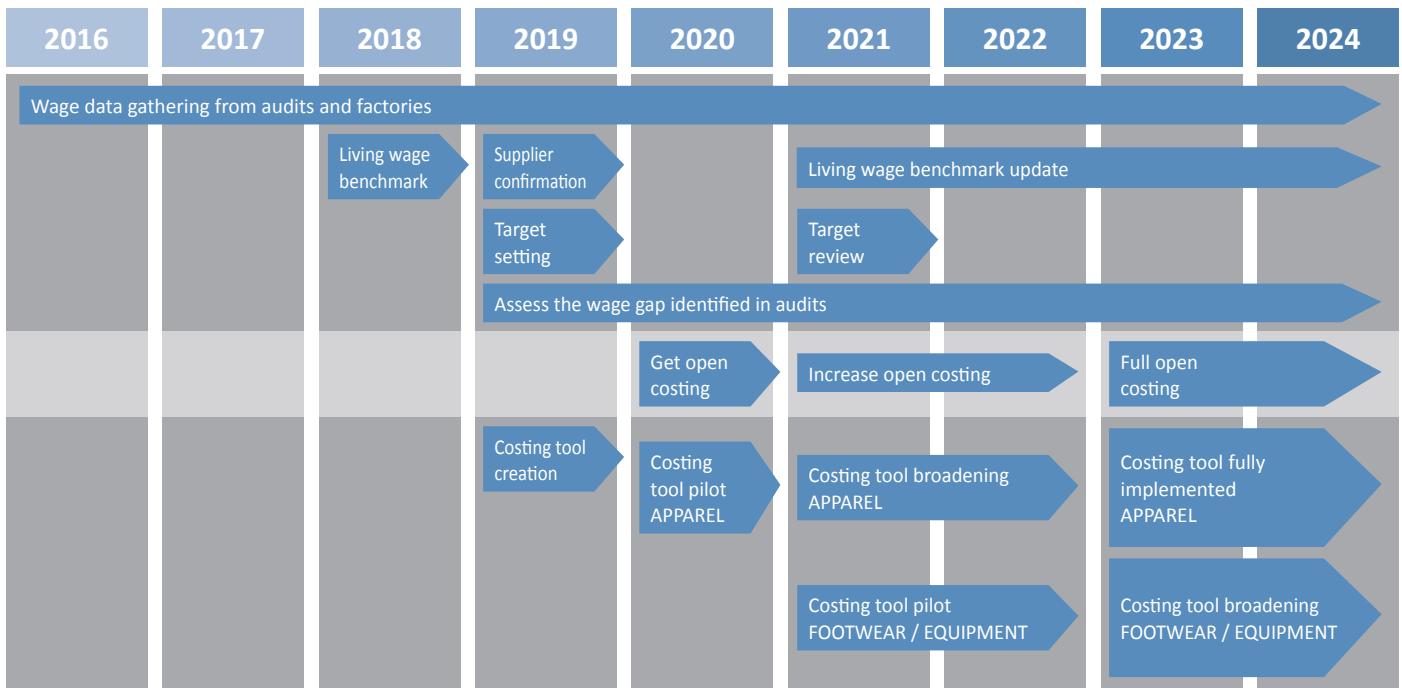


However, this is not enough for making sure that we are paying a living wage. The information we obtain from suppliers and audits is likely to be only limitedly and not permanently reliable or verifiable (see point 2). The only thing we can control 100% and make sure of, is the fact that we are paying prices that enable the factories to compensate their workers with a living wage.

With this in mind, in 2019 we decided to embark on a new journey: determining a labour cost which would cover a living wage, and incorporating into our price structure and negotiations with suppliers for the single items.

The result was a Costing Tool designed and implemented by the Costing Manager of the Apparel Division, which allows for a thorough cost breakdown calculation per style. Developed between 2019 and 2020, it establishes a relationship between the "labour costs" declared by our suppliers on costing sheets, and available living cost benchmarks in each of the countries where our products are manufactured.

The tool enables us to make a reverse calculation, whereby the abovementioned "labour costs" are put in relation with into "labour minute cost" at living wage rates, with standard working days and hours in each country, and assumed working time (SAM) depending on the complexity of the garments, and taking into account the technical setting of the factory (breakdown between direct and indirect labour) and other specific features. It thus enables us to check if the prices we are paying the supplier for the single items are enough for him to pay the workers adequately. In 2020 we began to implement this tool and were able to confirm that this is the case. In 2021 and 2022, the tool was shared with the Footwear and Equipment Divisions and we began to introduce and test it in the pricing structure of the Divisions for the upcoming collections. We continuously update the living cost and wage benchmark in each country with the latest information available from expert stakeholders and institutions.



Covid gap closure

Covid seems like a distant souvenir but the aftermath of the pandemic are still having effects in 2023.

The fourth wave of Covid-19 hit Vietnam with the Delta variant of the virus in late May 2021. In the first weeks, the government imposed social distancing throughout the country, increasing restrictions only in the most affected area. The situation got worse overtime and many factories, especially in Northern Vietnam, were closed down. The period of uncertainty lasted several weeks with constant extensions of closed periods, which led workers in some areas to choose between stay at the factory to eat, sleep and work (3-on-site) or stop working completely.

None of our factories followed the 3-on-site, but many were closed for weeks at a time, creating unstable situations for the workers as well.

The government required suppliers to pay the legal minimum wage only for the first 14 days of the lockdown period. To receive further wage compensation, employees needed to negotiate with their employers and could also apply for one-time government support with a maximum of 3,710,000 VND for standard workers, 4,700,000 VND for workers with child under 6 years old and 5,710,000 VND for pregnant workers. If the factory was closed and did not sign the temporary suspension of contract or unpaid leave, the workers would have been eligible to apply another scheme that would have provide a financial support of 1,000,000 VND.

At that point we decided to start investigating more to make sure that the workers had received the information they needed to apply for government aid, that they had received the wages they were due, and that they had negotiated with the suppliers the wages for the weeks when the factories would have been closed.

Together with other FWF member brands sourcing in the same areas, we created a complete questionnaire to send to our supplier in the restricted areas, after it had been checked and translated by Fair Wear's Vietnamese country representative. Once we had collected the completed questionnaires, we met again between the brands to discuss the results. We received a lot of valuable information that helped us to get a general picture, and we discovered that most of the factories had been closed for more than two months.

When we checked the responses from our supplier, we found that one had been closed for more than two months and that the workers were surviving on financial support from the government and social security.

We decided to investigate the situation further and verify the data collected through the questionnaire by asking the Fair Wear Foundation to conduct an audit at the factory. The audit was organised in October 2022 and we received the results at the end of the year, so it was not until 2023 that we were able to assess the actual gap between what the workers were earning and the legal minimum wage at the time of the factory closure. With the details of the support from the government (based on the number of children) and the social security fund (based on years of contributions), we went back to the factory and asked for their help in understanding how much each worker had received.

The cooperation with the factory was very fruitful and we were able to define exactly the gap and the amount to be covered by our 10% leverage. The worst situation was faced by 27 workers who received 62.33% of the legal minimum wage for the two months of closure (after the first 14 days when they received the full legal minimum wage); on the other hand, few workers were able to earn more than the minimum wage. Once we had done all the calculations, we sent the money to cover the difference, ensuring that each worker received the exact amount to which they were entitled. Even though the law in Vietnam did not require factories to pay the legal minimum wage, we were able to make up for our gap.



Photo - Factory 11333 in Vietnam

The FWF complaints procedure

FWF gives brands the opportunity to provide direct support to workers in their supply chains. Workers or worker representatives file a formal complaint against their employer via the FWF complaints hotline; then FWF forwards the complaint to the brand, and the brand must notify the factory immediately and try to solve it as soon as possible. Once the facts are verified and the factory commits to carry out the required remediation measures, we make suggestion on preventive actions, to avoid the repetition of the situation. Once this process is completed, we notify FWF and they publish the complaint on their website.

We take complaints very seriously and have a person who is specifically working to respond to these incidents as soon as they arise.

Where possible, we work with other sourcing brands to investigate the issue and find a solution that is in the best interests of all parties.

In 2023, we received six formal complaints via the FWF hotline and we did not stop investigating previous complaints that required a longer and more systemic follow-up.

We focused our attention on the four complaints we received from a long-term supplier in Myanmar.



Complaint #1

Factory 14381: Myanmar

11 March 2023

The first complaint received during the year was a violation of FWF's Code of Labour Practices #7 'Safe and healthy working conditions'.

A worker in the numbering department called the FWF hotline number to complain about a recent relocation of workstations that made it impossible for the entire group of workers to sit while performing their tasks. Standing all day caused the complainant not only physical fatigue, but also a decrease in productivity, which led to scolding from the supervisor. The complainant wished to remain anonymous and asked us not to identify the department.

Our first reaction to all complaints we receive is to better investigate the situation and the points of view. In this case, this initial assessment was carried out in two stages. On the one hand, we asked our two local quality controllers to carry out a specific check on the factory floor and to take photos of the numbering section with a high degree of discretion. We found that workers were sitting as well as standing, and that many chairs were close to the workstation but not in use. The reasons for the different treatment were not clear.

On the other hand, we investigated with factory management how they assessed what ergonomic PPE (personal protective equipment) needed to be provided to reduce the risks and adverse effects of performing each task. Discussions with the factory identified areas for improvement and management initiated a programme to improve the working environment and limit fatigue, including the adjustment of workstations and worktables, mats for standing workers and chairs for standing workers.

According to the Factory Act 1951, Article 46, the production site is required to provide sitting facilities for workers who perform their tasks in a standing position. Not all jobs can be performed in a seated position: the nature of the work in the numbering department requires frequent movement, making fixed workstations uncomfortable. To help the workers, the factory provided anti-fatigue mats, installed several areas with chairs and instructed the workers to rest whenever they felt the need to sit down and recover their energy.

The workers refused to sit on the benches and demanded that the factory provide each of them with a chair at their own station.

The complaint allowed us to share the workstation with the factory, so we could enable an open discussion between the numbering workers and factory management. At the end of the meeting, the factory installed chairs and instructed the workers to sit down while working and to report immediately to the manager if a supervisor forced them to stand up.

An audit by SMART (MADE in Myanmar - a project funded by the European Union) staff also verified that the problems had been resolved. The results confirmed that the factory had provided chairs and tables for numbering workers to reduce potential health concerns and had established a rotation system for workers to complete urgent tasks while standing.



Photo - Factory 14381 in Myanmar

Complaint #2

Factory 14381: Myanmar

08 June 2023

While we were addressing the first complaint received in March, we received another communication from FWF reporting a new call to their hotline describing violations of three elements of FWF's CoLP: #1 'Employment is freely chosen', #5 'Payment of a living wage', #6 'Reasonable hours of work'.

One complainant reported that workers in the cutting department were not given a full break. The complainant alleged that the supervisor of the cutting department announced to the workers that they had to return to work as soon as they finished eating, even though the lunch break was not over. The complainant stated that the supervisor started this practice on 8 June 2023 and it was unknown how long it would continue. The complainant suggested that this could be due to the increasing workload and the reduced number of workers in the cutting department. They claimed that they did not know whether the factory would pay the workers for these extra minutes worked during the lunch break.

The first thing we did was to investigate internally to see if we were causing an increase in pressure. We use more than half of the factory's production capacity, so our purchasing practices can have a big impact on workload. Information from the purchasing and planning team, quality control and head office were compared to identify the root cause.

In order to avoid long periods of low season interspersed with intense peak production (a trend that has obvious consequences for workers), we had introduced a more constant and stable order placement system. We did not contribute to increasing the factory's workload, so we proceeded to the second step of the investigation: we brought the complaint to the factory's attention, which initiated verification activities.

They confirmed that they had found that 41 workers had been working for 20 minutes a day during the lunch break from 8 to 20 June, under the direction of the local cutting supervisor, without reporting it to factory management. In response, the factory spoke with the supervisor, who was in violation of company policy, which clearly states that lunch breaks must be respected, to stop the practice. On 11 July, the factory paid for

time worked during the lunch break and reminded workers that they were entitled to their lunch break and should not work during this time. The complainant confirmed that the overtime had stopped and that he had been paid for the overtime worked from 8 to 20 June.

Complaint #3

Factory 14381: Myanmar

16 August 2023

The same factory in Myanmar was the subject of another complaint alleging violation of FWF's Code of Labour Practices #7 'Safe and healthy working conditions' and #8 'Legally binding employment relation'.

The reported problem concerned difficulties in applying for leave. The complainant explained that workers could not request leave on the same day they wanted to take it, even if they had urgent personal matters or sudden illness supported by a medical certificate. In these cases, the workers had no choice but to be absent without the approval of the supervisors, who refused the request.

When we shared the content of the hotline message with the factory management, we were told that they were already looking into the issue, as the same complaint had been submitted to their suggestion box.

The factory had already organised training for management on the leave request process. Supervisors, managers and internal QCs were trained in the application of the procedure and reminded not to reprimand workers for requesting and taking leave as per their contract and rights. The workers' representatives were also informed by management of the action taken to resolve the complaint, and the same notice was posted on the notice board.

To verify the effectiveness of the remedial measures, we asked SMART's auditors to talk to the workers and assess whether the situation had improved. It was found that the complaint resolution was not fully satisfactory, with some middle managers not applying the procedure correctly. Further training was organised by the factory, and we asked SMART to conduct a specific workshop on the issue and to assist the factory in improving the leave policy.

The factory used to have three separate documents relating to holidays:

-Working hours and rest days policy

-Basic disciplinary rules relating to taking leave

-Notice on the notice board relating to emergency leave

The three documents did not contain all the necessary information (there was no reference to paternity and maternity leave) and some rules were quite strict for workers. There was also limited awareness of the benefits of a clear procedure.

The situation has improved and is currently as follows:

-A document (comprehensive leave policy) with all the necessary information has been developed (last updated 11 December 2023); the policy also clearly describes the information about a system of deducting the weekly rest day when employees are absent from work.

-A clear and standardised leave application process has been established.

-Middle management has been trained on the updated procedures and processes and on the content of the new leave policy.

-Employees have been made aware of the changes (handbook with all information) and the leave policy, procedure and leave policy have been posted on the notice boards.

-The factory has also set up additional channels (CSR and HR telephone numbers to provide alternative means of communication in case employees are unable to reach their immediate supervisor or manager).

-The factory has also set up additional channels (CSR and HR phone numbers to provide alternative means of communication in case workers are unable to reach their immediate supervisor or manager), and the relevant phone numbers (of supervisors and managers) are posted in their respective departments to ensure that all workers are aware of the channels available and who to contact if they need to take leave in urgent situations.

The factory also posted on the notice board the amount of leave that workers were entitled to in December, and produced a summary of leave, showing the different types of leave that workers were entitled to, the days of leave taken, and the remaining leave balance.

During the worker interviews conducted during the SMART audit, there were no more complaints about the use of leave.

Complaint #4

Factory 14381: Myanmar

26 September 2023

The last complaint filed by one of the workers of the production site in Myanmar was the most concerning one, it was a violation of FWF's Code of Labour Practices #7 'Safe and healthy working conditions'.

One of the workers in the cutting department was slapped in the face by a supervisor after a heated discussion that escalated.

Feeling hurt and embarrassed, the complainant stated that she went to the factory manager and complained. As a disciplinary measure, the factory manager decided not to dismiss the line manager, but instead issued her with a letter of warning and a verbal warning. The complainant was not satisfied with this action and contacted FWF to request fair action for the physical assault she had suffered. The complainant stated that she would not be satisfied unless the line manager was dismissed.

We immediately assessed the urgency and seriousness of the complaint and followed up in a short space of time. We were in a very difficult position: we sympathised with the complainant and wanted to support her, but we could not provide her with the kind of justice she was seeking. To resolve this dilemma, we met with the FWF complaints officer and came up with a plan.

We contacted the factory management to hear what had happened from their perspective and to review the actions taken as a result. We found out more about the dynamics of the accident and the responsibilities involved in the escalation of the dispute.

Both parties decided to stick to their reasons and not to apologise. Recognising the difficulty of the situation, we called in MADE as an objective third party who was able to talk to both parties and also to the other workers who had witnessed the incident. At this point, both the complainant and the line manager were able to calm their feelings and both understood that what they had experienced was not the right way to handle a work-related discussion. The complainant said that she didn't want the line manager to be dismissed. Together with MADE and the factory, we agreed that in order to improve the working environment and behaviour, it was necessary to organise a series of training sessions, to give the line manager an improved warning letter and to send a clear message about unacceptable violence in the workplace.

After all this, the complainant was satisfied with the handling of her case and confirmed that the remedial action had been taken correctly.

Complaint #5

Factory 5843: Bangladesh

16 October 2023

In October, the four FWF member brands sourcing from the factory located in Bangladesh received a complaint alleging violation of the FWF's Code of Labour Practices #5 'Payment of a living wage' and #8 'Legally binding employment relation'.

The complainant claimed that he had been working in the factory for a long time, operating the H&H/HOT and COLD machine, but had not yet received the operator's card. Instead, he was a helper and, according to the law, could not operate the machine.

The group decided who would take the lead in investigating and resolving the complaint, and a meeting was arranged with the factory management. The factory claimed that it had followed the law by promoting workers through performance appraisal in accordance with company policy. After this, a supervisor and a line manager dismissed a worker who was suspected of having complained to FWF. The factory was immediately contacted to reinstate the worker who had lost his job and reminded of the non-retaliation policy.

Complaint #6

Factory 5843: Bangladesh

31 December 2023

At the end of 2023, a worker complained that the behaviour of a factory quality controller was in breach of FWF's Code of Labour Practices #7 'Safe and healthy working conditions'. He spoke rudely to everyone and harassed female workers without any intervention from his superiors. According to the complainant, some workers left the factory as a result. As we received the complaint at the end of the year, we were.

Activities to Inform Staff Members

Our social compliance work also includes internal initiatives. Our pledge towards transparency and social justice in our supply chain is something we are very proud of. We believe that all members of the company should act as ambassadors of these achievements, and this is why we work to inform all employees about our progress. For example, at our company-wide Employee Meetings our CEO or Sustainability Manager present our environmental and social compliance activities. This includes details about our on-going work, the challenges faced, and the milestones achieved. We also believe this is an important moment where annually we restate our greater value as a company, and a reminder of our dedication to improving the everyday lives of those working to make our products - no matter where they are in the world. Twice a year, an event is organised to show our customers and partners the new products of the fall-winter and spring-summer collections of the following year. During the events, the sustainability team is invited and we have the chance to speak with our colleagues, dealers and clients about our social compliance and sustainability work.

Social compliance and our partnership with FWF make up a big part of how we internally communicate and educate staff not only on our sustainability work, but also on our greater mission and values. Again this year, we held sessions with the retail team to support them in feeling comfortable in talking about sustainability with our customers. All new Oberalp employees an introduction to the importance of Social Compliance for the company to ensure that they know how the factories in which we produce are selected and monitored.

We ensured all of our production partners - whether they are agents, intermediaries, or factories - are aware of and committed to our CoC, and FWF's Code of Labour Practices. In cases where we do not have direct contact with a factory, but instead communicate via an agent or intermediary it is the agent's or intermediary's responsibility to ensure compliance to our social standards.

Our local Quality Control teams carry our audits in new factories as part of our due diligence. As a condition for on-boarding new partners, we make an assessment on the social standards of prospective facilities, to measure compliance with our own standards, and management practices together with commitment to improvement of problems. We had this system in place before we became members of FWF, and because FWF has its own, it meant that we had two different standards for evaluating factories. This was not efficient, so in collaboration with our Quality Control Specialist, the company's eyes in the factories, we decided to adapt our assessment forms to those used by FWF audits. This enables us to evaluate our suppliers in a more consistent manner, and it includes also the smallest factories, our "Tail End".

This year, the Oberalp Group's first Asian Employee Meeting took place in Ho Chi Minh City, Vietnam. After exactly 3 years, we finally managed to organise the event, which was originally planned for spring 2020 but cancelled due to the outbreak of the Covid-19 pandemic. We invited all our QCs (from Italy and Asia) - responsible for quality control in the factories where we produce - and some colleagues responsible for production, planning, operations and chemical compliance to spend two days together, getting to know each other and learning more about the Oberalp Group. The work of the QCs is crucial to ensuring quality production and sales that reflect the quality standards of the brands. And the Group wanted to thank them for their work, especially after a pandemic period that put them under great strain.

It was very interesting to see how Italian and Asian cultures (our QCs come from China, Bangladesh, Taiwan and Vietnam) intertwine, creating a heterogeneous but very united group.



Activities to Inform Manufacturers & Workers

We see training programs has an enabling tool to conduct a correct and systemic Human Rights Due Diligence. They are crucial to prevent, mitigate and remedy the negative impacts that our operations can cause in the production facilities; and to achieve the ultimate goal: improve working conditions.

We mainly rely on the Fair Wear's Workplace trainings to enhance awareness of workers' rights, foster social dialogue and the resolution of issues through open communication, and to help factories find out how they can improve the well-being of workers in the factories. FWF offers both general and country-specific modules.

To conduct thorough supply chain risks' scoping and mitigating exercises, FWF offers the Onboarding Training, two-days training providing a basic introduction to the Fair Wear Code of Labour Practices, the Fair Wear grievance mechanism and other grievance mechanisms, as well as social dialogue. The Onboarding Training is composed of two modules: Module 1 focusses on basic labour rights awareness raising, and Module 2 addresses the nature and benefits of social dialogue. Management, supervisors, and workers are trained separately in two-hour sessions.

The country-specific modules, also offered by Fair Wear, are designed to address specific issues.

In Bangladesh, we can book the Violence and Harassment Prevention Programme, training that focuses on establishing and supporting workplace anti-harassment committees. Management, supervisors and workers are trained in separate five-hour sessions. If needed, Fair Wear can also facilitate an election for an anti-harassment committee and assist in six follow-up meetings the committee members to support them in the development and running of the anti-harassment committee.

In Vietnam, the Communication and Factory Dialogue Programme is available, it focuses on improving worker-management interaction

by developing their communication skills, with an emphasis on collaborative problem-solving.

In Turkey, two country-specific modules are offered: Migrant Refugee Module and Factory Dialogue Module. The first is designed to support sourcing brands that are facing additional risks related to large numbers of Syrian refugees in the country that are being employed in the garment industry, often in conditions that would violate elements of the Fair Wear Code of Labour Practices.

The second is meant to provide a basic introduction to effective communication as a tool for problem-solving. Management, supervisors and workers are trained in separate, two-hour sessions.

In 2023, we have decided to focus our training activities on the country that, according for an internal assessment, has the highest risk: Myanmar. Since Fair Wear does not have a tram in the country and does not offer any training materials or sessions, we have engaged with a trusted local stakeholder MADE in Myanmar. Its training programmes aim at improving social and environmental standards pf supplier factories working with MADE's member brands. The programmes can be organized in four clusters: social compliance, workplace relations, chemical management and energy & wastewater management. So far, we have booked training sessions of the first two clusters to improve the situation in the two facilities we source from in the country. It was attended the training on Applied Labour Law for Supervisors in Apparel Industries that addressed the topics of employment contracts, working bours and overtime pay, holidays and leave, social security benefits, fees payment, dispute resolution and health & safety. Key aspects that were discussed during the training were the importance of effective communication skills and the capacity to build good relationships at the workplace. The training was also beneficial to solve a complaint that was raised in one of the factories.



Photo - Factory 14381 in Myanmar

Partnership and collaboration

On 1 February 2021, the Myanmar army seized power in a military coup, detaining recently re-elected leader Aung San Suu Kyi along with the leaders of her party and declaring martial law in several townships. Hundreds of thousands of Burmese citizens took to the streets to oppose the military takeover. The military reacted violently, repressing human rights, limiting civil freedoms and detaining human rights defenders including labour rights activists. Due to the escalation of violence and repression in the country, many human rights defenders have left Myanmar.

After the coup, some NGOs called for an exit from Myanmar, arguing that due diligence was no longer possible given the escalation of internal conflict.

We took their view seriously and began to assess whether this conclusion applied to our supply chain, as due diligence is closely linked not only to conditions in the country, but also to relationships with suppliers, links with professional and objective partners, the availability of first-hand information and the presence of eyes and ears on the ground.

We examined the arguments, had an open and transparent conversation with our partners, triangulated information with our colleagues on the ground, investigated the listed risks, consulted and read reports from a wide range of stakeholders: international organisations, NGOs and, most importantly, organisations working in Myanmar. But we came to a different conclusion: due diligence is more difficult than it used to be, but it is still possible.

Moreover, local stakeholders and projects that have years of experience on the ground, working with factories and especially with workers, and who have conducted interviews with both, are urging us not to leave.

As brands, we cannot monitor factories alone and fully understand the objective and perceived risks; we need intermediaries and trusted partners to help us analyse the situation and act with greater precision and impact. In 2023, we have mainly been in close and constant communication with SMART.

The SMART Project

We were aware of the SMART Project and its SMART Factories Programme before the military took power in Myanmar, and of the necessity to implement enhanced due diligence. In 2016 and 2017, we suggested that staff at one of the factories we worked with attend their intercultural communication training to address cultural differences between Chinese management and Myanmar workers. In the first year after the coup, the SMART Project was crucial to understanding how the situation in the country was evolving. According to SMART representatives, many workers have lost their jobs as other brands have stopped sourcing in the country, adding to the hardship. If we leave the country, we will lose all connection and ability to contribute in any way.

Their highly experienced and professional staff (social compliance auditors, electrical, mechanical and textile engineers, apparel industry chemical management specialists, trainers and a medical doctor) enabled us to make an informed decision not to leave the country and to listen to the workers' voices to better assess the conditions and protection of human rights to really confirm that we are improving the lives of the workers.

At the end of 2022, the SMART Project was due to end, and there have been discussions about how and whether it should continue. In December 2022, we got the confirmation the project was re-funded by the European Union until December 2026. Another part of the funding came from other sourcing brands committed to strengthening and safeguarding responsible business practices that focus on social, environmental, human rights and gender equality standards. The project is now called MADE in Myanmar (Multi-Stakeholder Alliance for Decent Employment in the Myanmar apparel industry) and runs three parallel programs: the SMART Factories Programme which has the goal to uphold and monitor human rights, social and environmental standards through assessments, advisory programmes and workshops; the Forum on Supply Chain Conduct that brings together in a structured dialogue international and local business associations, workers and their representatives, and civil societies to cooperate on industry-level issues; and the Centres for Advancement of Women that provides enhanced support to women workers on nutrition, re-skilling in unemployment, safe migration and awareness of legal rights.

At the beginning of the year, MADE was officially launched and we became a signatory. We have been in constant dialogue with the project and have discussed how to monitor both factories we work with.

As a result, through the SMART Factories programme, we continue to improve our assessment of social compliance and chemicals management, make progress in promoting dialogue at the workplace and industry level, and facilitate energy efficiency and the transition to renewable energy among suppliers.

Fair Wear Foundation “Academy Pilot Project” and HRDD Bootcamp

Every year, Fair Wear conducts a thorough assessment of how its member brands and rates them according to a set of indicators evaluating the improvements of the purchasing practices and the working conditions in the factories. Since 6th February 2023, we were part of Fair Wear’s pilot project for 11 months that aims to provide the wider industry with guidance, learning modules, and access to tools to facilitate brands in their Human Rights Due Diligence (HRDD). Together with nine other brands, we helped to develop this project that will support Fair Wear in guiding more brands in implementing HRDD in their supply chains and ensure that it is done meaningfully. HRDD is at the center of new and upcoming legislation that will push brands to better monitor the supply chains, prevent and remediate human rights violations, and take responsibility. In addition to several other national human rights due diligence legislations currently in place, such as the German Supply chain law, also the EU Corporate Sustainability Due Diligence Directive is on its way. As a pilot participant, the Oberalp Group plays a vital role in testing and evaluating the project’s viability, feasibility, and effectiveness before Fair Wear Foundation will roll it out on a larger scale. During this pilot year, there will be no annual Fair Wear Brand Performance Check (BPC) and Fair Wear is therefore not assigning a score or performance benchmarking category for the actions done in 2022.

In August, we have participated to a bootcamp organized by Fair Wear for its member brands with the aim to support the operationalization of the Human Rights Due Diligence (HRDD) work in the Member Hub (Fair Wear platform) under the expert guidance of FWF HRDD experts. In a week, we went through all the new HRDD tools in the Member Hub in detail and collaboratively learn how to use them. This way,

we are able to harness the full potential of the new Member Hub in 2024, and fully integrate the HRDD work in Fair Wear’s system. Every day we focused on one aspect of the HRDD approach. Each morning, we started with a plenary session followed by a group assignment. Afterwards, we separately worked on homework assignments which we collectively discussed the following morning.

Audit Alliance Hard Goods

The pillar of our social compliance efforts is the monitoring process. It is carried out through factory self-assessments, on-site checks, third party audits and constant communication with suppliers. We mainly focus on those involved in cutting and sewing since 84% of our turnover comes from textile products.

However, in 2016, we started gathering more information to extend our monitoring work to technical hardware factories as well. After collecting useful contacts and increasing our knowledge, we were ready to start a project.

In July 2019, a subgroup of the European Outdoor Group’s (EOG) Hard Goods Working Group was established with the purpose of combining outdoor brand’s business power and good practices to assess the specific risks and improve social practices in the metal supply chain. Together with five other brands, we founded the Audit Alliance Hard Goods (AAHG) aimed at tackling human rights issues in Taiwanese hardware factories.

The foundation for the practical work was laid by aligning the approaches and expectations of the companies involved, everyone goal was to verify the situation in the factories and get to know better the metal supply chain. This was done in three steps: first, identifying the possible factories where we could start. By disclosing our suppliers and finding common ones, we were able to define the strategy, i.e. on the one hand, which suppliers were more significant for the brands, and on the other, at which suppliers more than one brand was sourcing, to raise our leverage and the likelihood of getting the supplier to cooperate. The second step was writing a collective Code of Conduct and guidelines on fair labour practices to guide the process. The third one was carrying out research on the possible risks in this context. At that point, we decided to deepen the research and engaged an auditing company that could focus on the pressing issue

of migrant workers' fees, which was highlighted in the risk analysis. Migrant workers are often charged high fees by employment agents both in their home country and the country they become employed in. They can also face language barriers, poor accommodation, restricted personal freedoms and health and safety abuses. The combination of these factors put these workers at a High-risk of forced or bonded labour. The recruitment of migrant workers is common practice in Taiwan. The workers are primarily recruited from Indonesia, Thailand, Vietnam, and the Philippines.

To confirm this suspicion and be able to start a remediation process, we arranged 3 audits in December 2020.

As soon as we received the audit reports, we met with the other members of the group to discuss the findings and to decide how to continue the corrective work. In order to divide the CAP follow up between us, we based it on the leverage of the brands. We addressed the health and safety violations identified at the 3 factories and then the discussions then turned to the issue of migrant workers' fees. We aimed at investigating and reviewing the fees system and in the early 2021 we tried to list them all. Thanks to the audit report we were able to obtain some information, which unfortunately was not clear enough to allow us to accurately reconstruct the amount of fees paid. In several discussions with suppliers, we tried to fill this gap, but only partially succeeded. Developing a comprehensive understanding of the migrant worker landscape in the hard goods supply chain was not easy and even if we involved our Taiwanese QC, we were not able to figure it all out. We also tried to involve external NGOs that have more know-how on this field and we discussed the issue together with other brands that are known to have tackled the same problem before us.

The fundamental change in the perspective was the results of the talk among the three suppliers and another player of the area producing for us and that has implemented best practices in the field of fees in the past years. These meetings were very constructive, and our suppliers were open to discussing how to solve migrants' fees findings. In 2022, we were able to take a big step forward and discuss with suppliers a possible plan for refunding fees already paid by workers and ending the practice for the future, based on the ILO position and requests from some markets to stop incoming goods if they suspect forced labour ("fees" could be interpreted in a similar way). Although

the practice of charging fees is legal in Taiwan, the suppliers have understood the position of the ILO and have been open and willing to develop a financially sustainable plan to achieve the objectives.

One of the suppliers has proposed to reimburse workers for some of the fee items over the next 6 years, prioritising the one paid to the home country agency. However, the AAHG group asked that the reimbursement be prioritised on known and clearly defined fees, such as those for the VISA permit, flight, insurance or other specific expenses. In this way, we would be sure of what will be covered by the supplier and we would be able to verify the amount is correct and, considering the future, we would not be supporting a practice that is not always transparent and legal, such as employment agencies in sending countries.

Fortunately, the supplier shared our concerns and undertook to investigate the agency system further. We are pleased that we were able to obtain this commitment from the suppliers and, before proceeding with the refunds, we asked ourselves what could be the unfair behaviour or risks that we should be aware of. We conducted our risk-assessment analysing other brands experiences and investigating more cases of previous refunds.

One of the practices to watch out for is the renaming of a planned bonus, i.e. the inclusion of the refund on the pay slip instead of a bonus that the factory normally pay to workers.

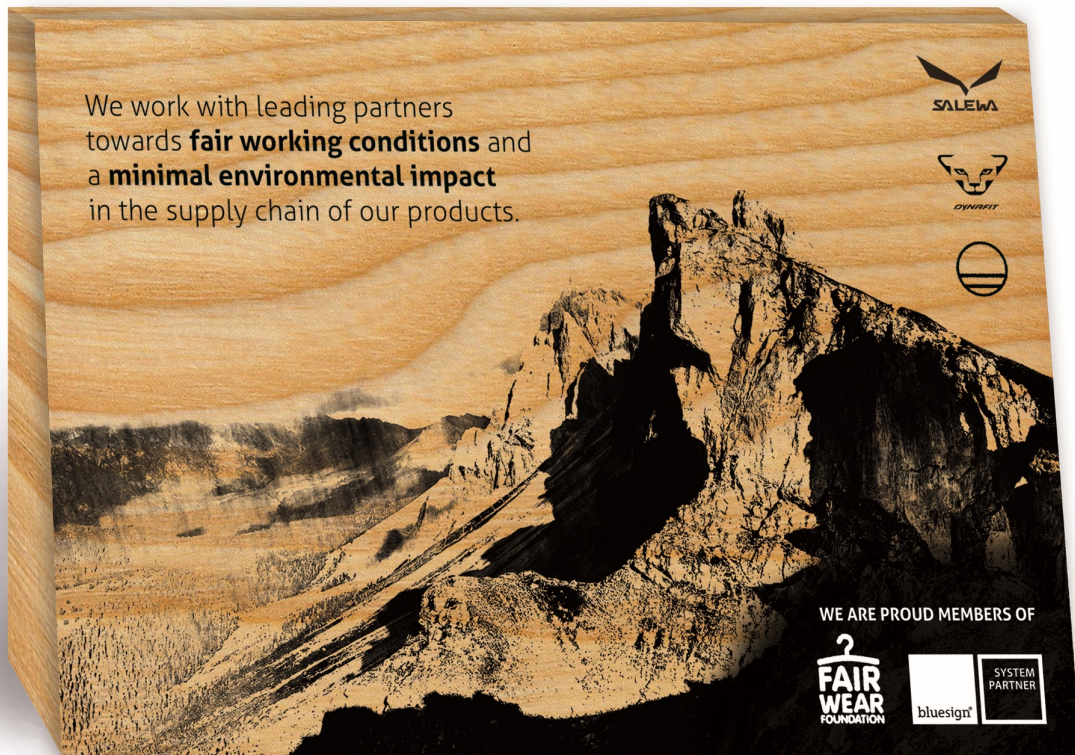
Another issue is which workers will be repaid and in what order. The solution would be an immediate refund, but unfortunately this is not always possible. Suppliers would prefer preparing plans to implement the reimbursement gradually, and it is important to monitor this phase and assure that there are no unfair treatments. An example of a practice to monitor would be the payment of the refund only to new migrant workers who are likely to stay longer, in the hope that the old workers will leave the factory before their fees are paid back. The key to controlling and mitigating these situations is to always have a clear picture of the reality. In order to get a high level of detail, we have decided to turn again to an auditing company with experience in the case of migrant workers, who can help us define and verify the best repayment plan.

The project continued throughout the year and we are confident that we will have interesting results to share in 2024.

We are proud of the work we are doing, **and we want people to know**

It is a continual process, as every year we want to share more and more, and so communication and transparency about our social compliance work comes as a given. One of our primary ways to inform customers, employees, and others about our work is the publishing of our annual Social Report (the one you are reading right now), and the year’s Brand Performance Check results. These are made available on the websites of each of our brands, as well as on the Oberalp Group website. The Social Report is a way for us to highlight our accomplishments and challenges from the previous year in a way that is useful for a general audience.

Our group-wide sustainability report is another channel to communicate our social compliance efforts and FWF work. Additionally, there are a number of in-store opportunities for customers and employees to learn more about FWF, and what we are doing as a company to address human rights issues in our supply chain. There are plaques at cash registers, fact cards in the shop and FWF logos on shopping bags as a means to communicate our commitment to fair working conditions. Furthermore, we provide brochures about FWF, in the local language, at all of our retail stores.



In the **forthcoming** year, we want to **build on** the work we have done

over the last few years. Recently, we have seen a proliferation of directives and regulations aimed at regulating the responsibilities of companies and the negative impacts their activities (can) have. At the end of February, the need for more systematic due diligence was highlighted when the Corporate Sustainability Due Diligence Directive was proposed at EU level. In June, the European Parliament voted in favour of the proposal and we are still awaiting the final decision of the European Council. Regardless of the final outcome, we intend to use this moment to refine and expand our due diligence and social compliance work. To be successful, we need to build new internal alliances to ensure we can continue our systematic and integrated approach to social compliance work. We also intend to organise social compliance training for our quality control team, who visit factories daily, and for staff who work with suppliers to improve our sourcing practices. Other goals for next year include conducting studies to improve risk assessment, and launching pilot projects to evaluate and analyse the current situation of gender-discrimination in the factories we cooperate with. We will build on the surveys and research on freedom of association of the previous years to boost social dialogue in the factories.

The pandemic has raised, more than before, the need to make sure that workers have a voice and means to make sure that their rights are respected. During the analysis we carried out in 2021, we have discovered that some factories lack workers' committees or any other form of representation. In some cases, this is explained by the absence of the need for such a representative body, due to the dimensions of the factory or the good quality of internal communication. In some others, the awareness on the topic is limited. Thus, we would like to continue working on raising workers' awareness about rights, payslips, and specific issues through information cards and training sessions.

In the previous years we focused our efforts on establishing the root causes of overtime, and guaranteeing the payment of a living wage in the factories we cooperate with. In 2019 our Apparel Costing Division developed a tool aimed at making sure that the prices we are negotiating for our products enable the factory to pay workers a living wage. In 2020 we piloted the tool with some of our styles and suppliers and corroborated the assumptions that the tool is based on (living wage benchmark, working days, working hours, relationship between direct and indirect labour). It was a big challenge, because our aim is for the tool to become an active and open part of the negotiation, and for this, it would be necessary to carry out in-person discussions. In 2021, we have integrated the tool in the Apparel Division and launched a pilot in the Footwear and Equipment Divisions. In 2022 and 2023 we have continued this work, and scaling it up as much as possible. In 2023, we aim to launch a pilot project in Myanmar to identify the exact living wage gap, close it and test the effectiveness of the costing tool.

We will follow our Sustainability Strategy which has as one of the pillar "working best-in-class factories". We will continue to feed information in our evaluation tool in order to have a comprehensive and clear picture of the factories. We will start to exchange more in-depth analysis and evaluations of the suppliers with our Sourcing Department to guide the purchasing decisions also taking in consideration the compliance and the efforts of suppliers.

We will evaluate how to increase social compliance in the shoes factory in Romania and continue our work with the Audit Alliance Hard Goods. We will augment our efforts to conduct due diligence according to the OECD guidelines (prevent, mitigate, remediate) in Myanmar, since we don't plan to change the decision to stay in the country; having the support of expert, well-funded and active local stakeholders will help us. Thus, we will continue working with EuroCham Myanmar, the MADE in Myanmar Project and other brands sourcing in the country.



ANNEX – FULL FACTORY LIST

(In alphabetical order)

Albania

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
13689	2018	apparel	Dynafit LaMunt	0.50%	✓		
14380	2019	apparel	Wild Country	0.001%			
15221	2020	apparel	Wild Country	0.001%			

Austria

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
8484	2021	apparel	Salewa	0.20%			

Bangladesh

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
5843	2014	apparel	Salew Dynafit	21.40%	✓	FWF 2023	2017
12355	2022	apparel	Salewa	0.09%	✓	BSCI 2021	
12454	2018	apparel	Salew Dynafi LaMunt	3.25%	✓	FWF 2023	
34336	2014	apparel	Salewa Dynafit	1.65%	✓	SMETA 2023	
35144	2023	apparel	Salewa Dynafit	0.48%		BSCI 2023	

ANNEX – FULL FACTORY LIST

(In alphabetical order)

China

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
3267	2002	apparel technical equipment	Salewa Dynafit LaMunt	0.88%	✓	FWF 2022	2016
5023	2014	apparel technical equipment	Salewa Dynafit LaMunt	4.50%	✓	FWF 2021	
5450	2014	apparel	Salewa Dynafit LaMunt	0.29%	✓	BSCI 2022	
5472	2011	apparel	Salewa Wild Country LaMunt	3.31%	✓	WRAP 2021	2019
6115	2015	apparel	Dynafit	0.20%	✓	FWF 2022	2022
7261	2014	apparel	Dynafit	1.26%	✓	FWF 2023	
12093	2016	apparel	Salewa Dynafit	0.07%	✓	BSCI 2022	
12115	2017	apparel	Salewa Dynafit	1.23%	✓	ELEVATE 2022	
33716	2021	apparel	Salewa	0.01%			
34337	2022	apparel	Salewa LaMunt	0.14%	✓	SLCP 2022	
34944	2022	apparel	Salewa LaMunt	0.50%	✓	BSCI 2022	
35143	2022	technical equipment	Salewa Wild Country	0.87%		FWF 2023	
35145	2022	apparel	Salewa Dynafit	0.66%	✓		
35146	2022	footwear	Dynafit	0.12%	✓		
36099	2023	footwear	Salewa	0.56%	✓	BSCI 2023	

Czech Republic

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
12059	2017	technical equipment	Salewa	0.60%			

ANNEX – FULL FACTORY LIST

(In alphabetical order)

Italy							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
5416	2005	footwear	Dynafit	0.80%			
5451	2010	apparel	Salewa Wild Country	0.05%			
5459	2005	apparel	Salewa Dynafit LaMunt	1.00%			
9728	2012	apparel	Salewa Dynafit	0.04%			
9729	2015	apparel	Salewa Dynafit	0.38%	✓		
35366	2022	apparel	Salewa	0.31%	✓		
35368	2022	apparel	Salewa	0.18%	✓		

Lithuania							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
3854	2011	apparel	Dynafit LaMunt	0.10%	✓	ELEVATE 2022	
5435	2011	apparel	Salewa Dynafit Wild Country	0.27%	✓	ELEVATE 2022	

Myanmar							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
11906	2020	apparel	Dynafit	0.54%	✓	WRAP 2021	MADE 2023
14381	2019	apparel	Salewa Dynafit	8.91%	✓	MADE 2023	MADE 2023

Republic of Moldova							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
12452	2017	apparel	Dynafit	0.31%	✓		

Portugal							
FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
5412	2022	apparel	Salewa Wild Country LaMunt	0.16%			

ANNEX – FULL FACTORY LIST

(In alphabetical order)

Romania

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
8996	2019	footwear	Salewa	10.98%	✓	FWF 2022	

Slovakia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
9829	2014	technical equipment	Salewa	0.08%			

Slovenia

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
2959	2009	apparel	Salewa Dynafit	0.41%			

Switzerland

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
5417	2007	skins	Dynafit	0.39%	✓		

Turkey

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
34341	2021	apparel	Dynafit	1.38%	✓	ELEVATE 2022	

Ukraine

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
34342	2021	apparel	Dynafit	0.70%			

ANNEX – FULL FACTORY LIST

(In alphabetical order)

Vietnam

FWF factory code	Partner since	Division	Brand	% FOB	Visited in 2023	Audit / Year	WEP/Training
4568	2013	apparel	Salewa Dynafit LaMunt	0.43%	✓	FWF 2023	2017
5414	2007	footwear	Salewa Dynafit	12.34%	✓	FWF 2023	2018
5421	2013	technical equipment	Salewa Dynafit Wild Country	3.14%	✓	FWF 2022	
5645	2012	footwear	Salewa Dynafit	10.19%	✓	FWF 2022	2019
11333	2016	technical equipment	Salewa Dynafit	1.24%	✓	SCLP 2021	2019
12250	2018	apparel	Salewa	0.04%	✓	SUMATIONS 2021	2022
14390	2019	technical equipment	Salewa	0.22%	✓	SLCP 2022	
34532	2023	apparel	Salewa	0.09%	✓	SLCP 2022	
35172	2007	footwear	Salewa Dynafit	2.35%	✓	SUMATIONS 2021	
35650	2023	apparel	Dynafit	0.38%	✓		