



# SUSTAINABILITY INSIGHTS

2019 / 20



ORTOVox



## PREFACE

DEAR ORTOVOX PARTNERS AND FRIENDS,

Ever since we were founded in 1980, we've been listening to our **INNER VOICE** – after all, "vox" is part of our name. The bedrock of ORTOVOX is the **PROTECTION OF PEOPLE, ANIMALS AND NATURE**. For 40 years we have remained true to our values and, especially in times such as these, we find strength in our convictions.

Our particular strength is that the ORTOVOX voice speaks to everyone one of us. All ORTOVOX employees have this voice within them, allowing it to guide their actions. In this report, we introduce our **HEROES**

**OF SUSTAINABILITY**: women who, on their own initiative, sprang into action, initiated projects and in doing so sustainably shaped our market. Our Product Developers Jasmina and Sonja, who took the initiative to comprehensively and sustainably rethink and redesign the packaging system. A "project close to our hearts that is also a major challenge," they say. What they have achieved in just one year is impressive.

Brigitte, Head of Production Planning, whose **PERSONAL COMMITMENT** during the acute Corona phase strengthened our partnerships with our producers all over the world. Her compassion and actions proved that this fragile world can only be stabilized by working together.

Katrin, who has worked as a CSR expert for a whole decade and whose fervor constantly encourages and challenges not only our partners, but also those of us working in-house. She is an advocate and mediator, is constantly opening our eyes – and predicts a future in which sustainability determines the economy.

And Steffi, our second Head of CSR who, on her trip to Tasmania, was told by our sheep farmers about the devastating destruction of one of the most important rainforests in the world – and immediately followed her inner voice and launched a program that enables ORTOVOX to support the battle against the destruction of the Tarkine.

We are more convinced than ever that this is the **RIGHT PATH, AND THAT IT IS AN IMPORTANT PATH**. ORTOVOX is a community of people who believe in their values and wish to actively shape them. People who listen to their inner voice.

Christian Schneidermeier, CEO



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# SUMMARY

## ONE MINUTE VERSION

ORTOVOX and its products provide the best possible protection for alpine activities. Alongside rescue products such as avalanche transceivers, avalanche shovels and avalanche probes, the range also includes a varied mountainwear clothing line that has been using the sustainable and highly functional raw material that is wool since 1988. ORTOVOX has been a member of the Fair Wear Foundation since July 2015. The company has a total of 49 suppliers. Well over half of its textile products (56,22% as measured in terms of FOB) are manufactured in Europe.

This strong focus on **EUROPE IS IMPORTANT TO ORTOVOX**. In the last financial year (July 1, 2019 – June 30, 2020) one of our backpack manufacturers from Vietnam and two mountainwear manufacturers in the Ukraine were audited, with good results. 94,06% of the production volume thus now comes from "non-risk" countries or from audited factories.

ORTOVOX's previous fiscal year was characterized by progress as well as setbacks in the area of sustainability. In the first half of the year, the focus was upon **CLIMATE PROTECTION AND WAGES** within the organization. However, the planned project in Ukraine that was to tackle the issue of existing wages had to be cancelled and revised for organizational and staffing reasons. The focus was thus intended to shift to backpack manufacturers in Vietnam. However, the COVID-19 crisis brought this to a temporary halt. The topic will be revisited in the new fiscal year. Generally, it can be observed that as a company in the outdoor industry, ORTOVOX has been able to remain relatively stable throughout the crisis due to its supplier strategy. In the second half of the year, monitoring from a distance presented a major challenge. Any long-term effects on the supply chain remain to be seen.

# ABOUT ORTOVOX

## MOUNTAIN SAFETY PIONEERS SINCE 1980

At ORTOVOX, everything revolves around protection. **PROTECTION IN THE MOUNTAINS THROUGH INNOVATIVE PRODUCTS AND THE SHARING OF KNOWLEDGE** – and the protection of nature through socially and environmentally sustainable actions. The South German company produces emergency equipment, backpacks and functional apparel made from and with sustainable wool for discerning mountain athletes – and has done so since 1980. Innovative equipment and the comprehensive training measures offered as part of the ORTOVOX SAFETY ACADEMY, with its practical courses and digital training tools, all contribute to saving lives by making mountain sports that much safer.

Based in Munich, Germany, ORTOVOX Sportartikel GmbH has over 120 employees worldwide and is part of Schwanhäußer Industrie Holding GmbH & Co. KG.

# MILESTONES SUSTAINABILITY



## 1980: ORTOVOX – THE VOICE OF THE MOUNTAINS

Since the company was founded in 1980 in the south of Munich, ORTOVOX has stood for a sophisticated protection and comfort system for mountain activities. As pioneers in the avalanche safety field, we have played a key role in the development of emergency equipment for mountain sports. In its year of founding, ORTOVOX laid the cornerstone for its success with the ORTOVOX F2: The F2 was the first avalanche transceiver for searching for avalanche victims that could transmit and receive on two frequencies. Since the very beginning, the company and its products have been characterized by their **RESPONSIBLE TREATMENT** of people and nature.



## 1988: ALWAYS WOOL

Since 1988, ORTOVOX has been using sheep's wool in all its mountain sports clothing. Thanks to their high moisture absorbency, wool fibers are particularly suited for mountain sports, because they warm you even when wet and thus offer high safety reserves in borderline situations.



## 1995: MERINO WOOL

The first functional underwear made from merino wool is introduced: shirts, pants and polo necks for alpine skiing, ski tours and mountain hikes, which render frequent changing of clothing unnecessary. Thanks to their thin fiber diameter, they offer excellent wear comfort.



## 2011: SWISSWOOL

As part of its mountainwear range, ORTOVOX develops **SWISSWOOL**, a completely new category of wool insulation product. It receives the ISPO Award for its functionality, design and sustainability concept. Warming Swiss wool is stitched into insulation chambers inside the jacket. The material mix of nylon and wool makes this product, which is manufactured completely in Europe, a highly functional layer. When using fine Swiss virgin wool, particular attention is paid to sustainable production and regional origin.



## 2015: ORTOVOX JOINS THE PARTNERSHIP FOR SUSTAINABLE TEXTILES

Since 2014, the **PARTNERSHIP FOR SUSTAINABLE TEXTILES** has fought for the **IMPROVEMENT** of social, economic and ecological conditions throughout the **SUPPLY CHAIN** in the textile and clothing sector. Through our membership, we at ORTOVOX wish to create greater transparency for our customers, set clear targets for sustainable business activity, and place greater emphasis on this topic both within our industry and also throughout the whole of society. In this regard we are active both on a European and a global level.



## 2015: JOINING FAIR WEAR FOUNDATION

Since July 2015, we have been a member of FAIR WEAR FOUNDATION (FWF). Fair Wear Foundation is an **INDEPENDENT NON-PROFIT ORGANIZATION** that is cooperatively led by retailer organizations and representatives from the textile industry, trade associations and non-government organizations with the **AIM** of **IMPROVING WORKING CONDITIONS** in the **TEXTILE INDUSTRY WORLDWIDE**.

To do that, the foundation has defined the following working guidelines, which are implemented in the ORTOVOX factories:

- 1 FREE CHOICE OF WORK
- 2 NO DISCRIMINATION AT THE WORKPLACE
- 3 NO EXPLOITATION OF CHILD LABOR
- 4 FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE ACTIONS
- 5 PAYMENT OF A LIVING WAGE
- 6 REASONABLE WORKING HOURS
- 7 SAFE AND HEALTHY WORKING CONDITIONS
- 8 A LEGALLY BINDING EMPLOYMENT CONTRACT



## 2016: JOINING EOCA

Since summer 2016, ORTOVOX has been a member of the European Outdoor Conservation Association (EOCA), which promotes environmental protection worldwide. The group of companies from the European outdoor industry has been collecting donations for charitable projects since it was founded in 2006. These projects are not tied to geographical locations: From creating an environmental route in Nepal and waste disposal projects in Kyrgyzstan to protecting brown bears in Spain and protecting peat bogs in Ireland, the EOCA supports projects across the entire world.



## 2017: ORTOVOX WOOL PROMISE

With the ORTOVOX WOOL PROMISE (OWP), ORTOVOX developed its own wool standard to represent the highest standards of **ANIMAL WELFARE** and sustainable economic management. Based upon the Responsible Wool Standard (RWS), the OWP adopts an even more extensive approach. Four promises lie at the heart of the OWP: We guarantee that we dispense with the painful practice of mulesing; we attach great importance to personal relationships with farmers; we provide transparency along the entire supply chain; and we focus on sustainable farming. In June 2019 ORTOVOX received the status of a summit member due to its support of the TARKINE rain forest in Tasmania.



## 2019: BRAND PERFORMANCE CHECK

The FWF carries out an annual Brand Performance Check in which **INTERNAL MANAGEMENT** systems are observed. ORTOVOX has achieved an above-average score of 98 % in the field of Monitoring in spite of its growth and new producers. Together with a score of 76 for Benchmarking, ORTOVOX was rated in the **"LEADER"** category for the second time.



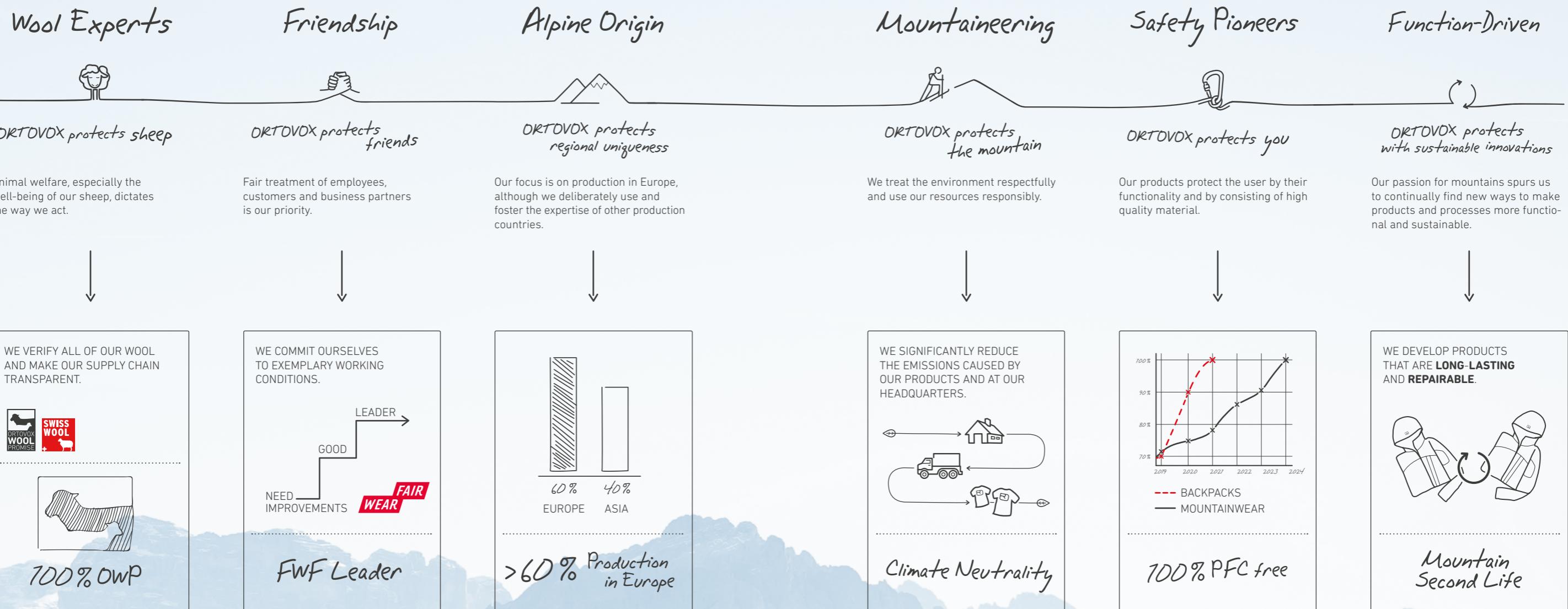
## 2019: PROTACT 2024

In ProtACT2024, the company details its **SUSTAINABILITY STRATEGY** and sets out clear goals for 2024 based on its core values in combination with existing initiatives. On the pages that follow, we set out our roadmap for sustainable activity.

# ProTACT 2024

IT'S ABOUT LISTENING TO YOUR INNER VOICE.  
IT'S ABOUT TAKING THE RIGHT PATH.  
THIS IS OUR PATH TO SUSTAINABLE ACTION.

In 2019, we formulated our new **SUSTAINABILITY STRATEGY**: ProTACT 2024. Building upon our existing initiatives, we set clear aims in our six core areas – they are ambitious, but that is the path we are going to take!



Listen to  
your inner voice.

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# OUTSIDE-THE-BOX PACKAGING INITIATIVE



**JASMINA VO-VAN**, Product Developer 1<sup>st</sup> & 2<sup>nd</sup> Layer Mountainwear and **SONJA LUGMAIER**, Product Developer Backpacks, followed their inner voices, addressed the issue of packaging – and achieved impressive results.

"Recycling at home and avoiding the use of plastic is an important step. But we can have an even greater impact with our company project. Being able to have so much more leverage is a good feeling."

Jasmina and Sonja describe their efforts to **RETHINK** the issue of packaging at ORTOVOX and sustainably drive it forward as a "project close to our hearts that is also a major challenge". In addition to their respective activities as Product Developer 1<sup>st</sup> & 2<sup>nd</sup> Layer Mountainwear and Product Developer Backpacks, they addressed this issue on their own initiative and achieved impressive results **WITHIN JUST ONE YEAR**.

"During these intense months we noticed two things: Firstly, the influence one individual can have within a small, flexible and motivated company. Secondly, the commitment shown by the various departments really impressed us. The teams each critically questioned their areas of responsibility down to the most minute detail, thinking outside-the-box and providing **POWERFUL NEW IMPETUS**."



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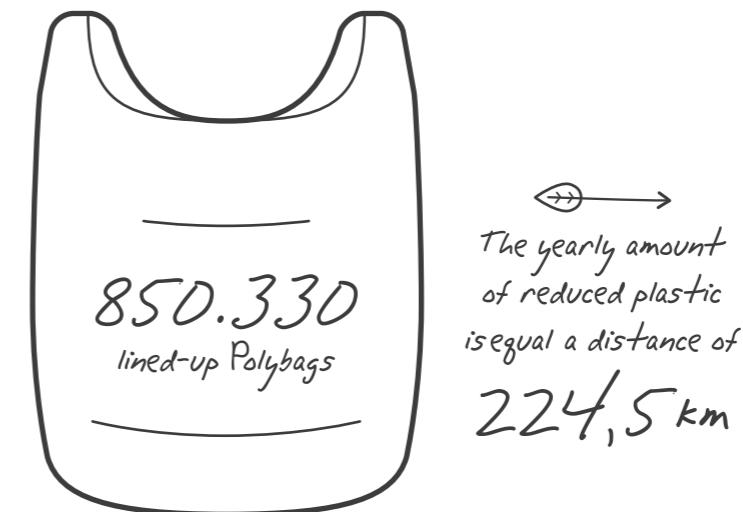
# SAVINGS ACHIEVED BY REDUCING PLASTIC

## Reducing plastic

- Using clay-based, compostable anti-mold protection for transporting backpacks (Dri-Clay instead of silica gel)
- Halving the number of labels used for transport
- Eliminating poly mailers and EAN labels
- Using new folding techniques to reduce the size of packaged products
- Using master poly bags and reducing packaging when shipping samples

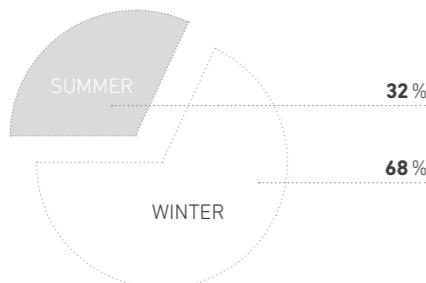
## Reducing CO<sub>2</sub>

- Changing all poly bags to 30 % post-consumer and 70 % pre-consumer waste recycled material from SS21
- Using variable size shipping boxes for the online shop, made from 100 % recycled paper and colored with chalk
- Using paper waste as void fill in packages
- Switching to digital invoicing and
- Eliminating online shop return labels



50 %  
ANNUAL PLASTIC AND CO<sub>2</sub>  
SAVINGS ACHIEVED BY REDUCING  
THE SIZE OF T-SHIRT POLYBAGS

ca. 3,5 t  
ANNUAL REDUCTION  
OF PRODUCED PLASTIC



ORTOVOX produces two collections per year – one in winter and one in summer. The winter collection makes up the larger portion, at 68%, whilst the summer products account for the remaining 32%.

DURATION OF BUSINESS RELATIONSHIP (IN YEARS)	NUMBER OF SUPPLIERS	SHARE OF ALL SUPPLIERS (IN %)
< 1	1	2,04
1 - 4	27	55,10
5 - 10	17	34,69
> 10	4	8,16

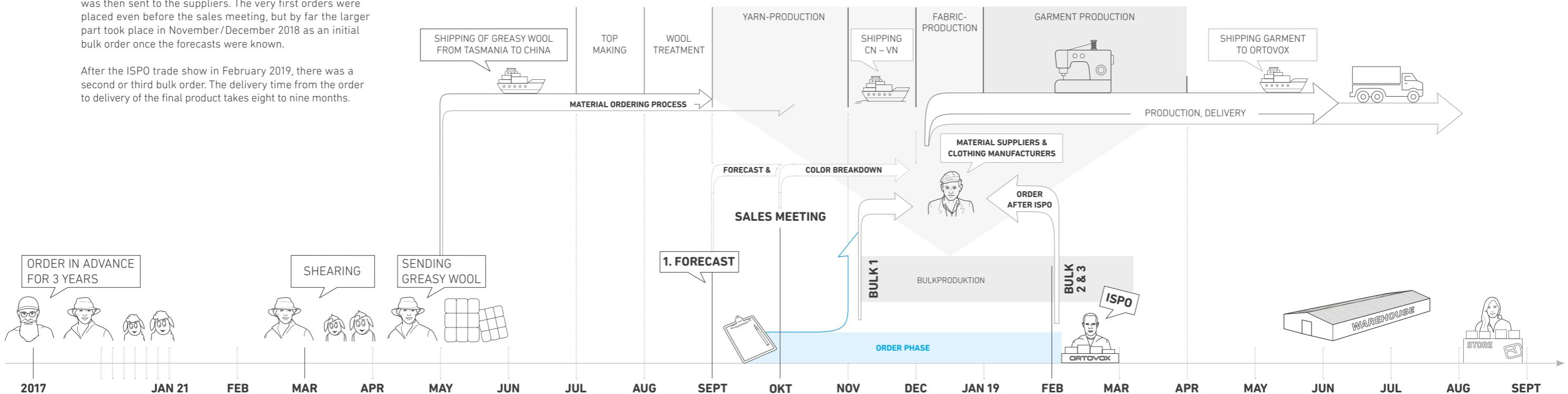
# PRODUCT CYCLE

## EXAMPLE FROM THE 2019/2020 WINTER COLLECTION:

ORTOVOX has a forward-looking perspective in terms of production planning also in terms of social reasons. When it comes to the ordering of wool (e.g. from OWP-farms), the process takes place almost three years in advance, in order to give farmers more security in form of **LONG-TERM CONTRACTS**. The order of raw wool for 2019/20 products was then requested in March 2018. Due to the long delivery times for the exclusive materials that ORTOVOX uses, sales forecasting started in August 2018. The figures were then communicated to the material suppliers and clothing manufacturers in September 2018. The order for the raw materials was placed with the material suppliers based on these quantities.

The next forecast, including the color breakdown, was drawn up after the sales meeting in October 2018. This information was then sent to the suppliers. The very first orders were placed even before the sales meeting, but by far the larger part took place in November/December 2018 as an initial bulk order once the forecasts were known.

After the ISPO trade show in February 2019, there was a second or third bulk order. The delivery time from the order to delivery of the final product takes eight to nine months.



# PURCHASING STRATEGY

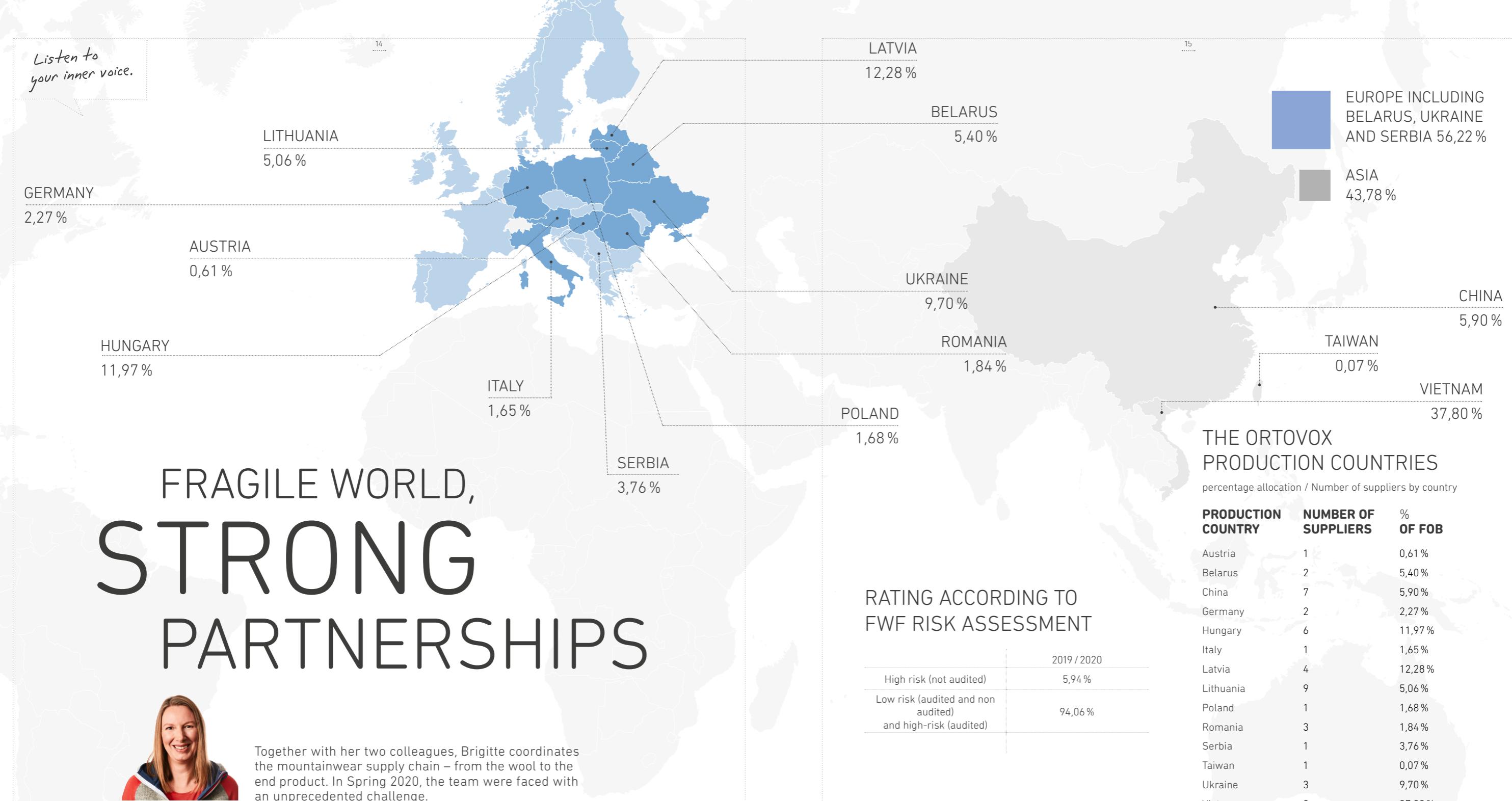
Friendship shapes every interaction at the company – within the team, towards customers, business partners and suppliers, out on the mountain and in day-to-day life. In particular, this philosophy characterizes the relationship between ORTOVOX and its suppliers. **42,86%** of them have been **BUSINESS PARTNERS FOR FIVE YEARS OR LONGER**.

ORTOVOX uses high-quality materials, most of which it develops itself and produces exclusively for its own products. In keeping with this, it needs to ensure that the materials are handled with care and professionalism. This only reinforces

the need for **STABLE SUPPLIER RELATIONSHIPS**. Frequently changing suppliers is not an option for ORTOVOX.

The company is growing fast (in the mountainwear segment, more than 14,94% per year on average over the last three years), and new suppliers who believe in our philosophy are therefore continually being sought. Production concentrates on Europe and Vietnam, but there are also production sites in China, Ukraine and Belarus. ORTOVOX endeavors to produce a substantial amount (currently more than 56,22%) in Europe.

Listen to  
your inner voice.



# FRAGILE WORLD, STRONG PARTNERSHIPS



Together with her two colleagues, Brigitte coordinates the mountainwear supply chain – from the wool to the end product. In Spring 2020, the team were faced with an unprecedented challenge.

## THREE QUESTIONS FOR BRIGITTE BRÄUNLEIN, HEAD OF SOURCING & PRODUCTION PLANNING

### 1. BRIGITTE, COVID-19 HAS SHOWN THE WORLD JUST HOW TIGHTLY INTERCONNECTED IT IS. FOR YOU THIS IS EVERYDAY STUFF. WHAT WAS THE CRISIS LIKE FOR YOU?

Yes, our job in particular demonstrates how everything in this world is interwoven – and that it is only possible to tackle complex challenges when we work together. For me it's like a small net that ORTOVOX has knitted across the world. From Tasmania, to Asia, all the way to the Alps, we're all in the same boat, we're all affected, and only together are we strong enough to get through this situation. So we've really witnessed the effect the Corona pandemic has had on the world. Because we deal with each step of the product chain in great depth, we have a very close relationship with each of our

partners. That's why my first instinct was to call them and ask: How are you? Has it affected you personally? With all of the news we were hearing, the fact that our partners hadn't simply thrown their employees out in the streets really confirmed our choices. In our worst-ever crisis, the social security system that we put all our efforts into implementing together took effect and worked. That was a great feeling.

The next step was to find out how our production would be impacted by the situation. We ensured our producers that we will not stop ongoing production, searched for the best possible balance and ultimately moved our deadline for the coming season back by a month, giving them some breathing space.

### RATING ACCORDING TO FWF RISK ASSESSMENT

	2019 / 2020
High risk (not audited)	5,94 %
Low risk (audited and non audited) and high-risk (audited)	94,06 %

### 2. WHAT ELEMENT WAS MOST IMPORTANT FOR MANAGING THIS DIFFICULT PHASE?

Communication! We detected major uncertainty on both sides – and the answer to this was intense communication. Showing that you're there and that you'll meet challenges together. We quickly moved from phone calls to video calls, because it really is different when you can see each other. We had weekly calls when there weren't any pressing issues – just to hear from each other and have a short chat. It was important to our producers to find out the direction the political discussions were developing for us. They were undoubtedly also given hope by the fact that we all think long term, and that we at ORTOVOX always firmly believed that our mountain sports brand will play an important role in the future, because people's need for nature is growing.

### 3. SO THOSE MONTHS ALSO STRENGTHENED YOUR INTERNATIONAL TEAM?

Definitely, yes. For me personally, it really confirmed that we have the right partners around the world. After all, it required a lot of trust from everyone involved. And it was given, thanks to our long-standing relationship and our open discussions. We noticed how important the wellbeing of their employees was to our producers. And as soon as it became clear that our quality managers could no longer travel to the factories, we changed tack and had items sent to us from production. We know now more than ever that we are working with the right partners and that we share the same mindset. We've been starkly reminded that the world is tremendously fragile. But stability comes from longstanding partnerships.

# MONITORING 2019/20

The 2019/2020 business year was ORTOVOX's fifth year as a member of the Fair Wear Foundation. The focus was placed upon regular and intensive communication with suppliers in addition to the existing monitoring system.

## THE ORTOVOX MONITORING SYSTEM IS BASED UPON THE FOLLOWING THREE PILLARS:

### 1. TRANSPARENCY

ORTOVOX discloses where products are manufactured and what the on-site working conditions are like. This includes logging all factories, performing factory audits and evaluating existing audit reports. Many suppliers also produce goods for other FWF members. Some of them are also audited in line with FWF specifications and supervised by other members in the follow-up. ORTOVOX is in continuous contact with these suppliers. In order to avoid double audits, other audits are also approved in addition to those conducted by the FWF as long as they meet quality requirements.

### 2. CAPACITY BUILDING

After the factory visit, the auditors draw up a corrective action plan setting out all identified infringements of the FWF guidelines and the necessary improvements. Together with the factory, the CSR team works on all points to achieve specific and measurable improvements. Training is an essential tool for building capacity alongside the audits. A better understanding of the topic leads to improvements in general. Training is available for ORTOVOX employees and suppliers. They are taught understanding of sustainability and the necessary steps toward this.

### 3. REPORT & VERIFICATION

As a member of the Fair Wear Foundation, ORTOVOX produces a social report once a year. The reporting period corresponds with the last fiscal year. The FWF carries out a "brand performance check" once a year, in which the internal processes of the company and its understanding of relevant sustainability topics are put to the test. By doing so, the FWF checks or reviews the company's contribution to better working conditions. This report is published on the websites [fairwear.org](http://fairwear.org) and [ortovox.com](http://ortovox.com). The next brand performance check will be carried out in November 2020.



# AUDITS 2019 / 20

## CHINA

In November 2019 a beanie manufacturer in China (ID: 3801) was subject to an FWF audit. Due to low production volumes, existing BSCI audit reports were previously used. The management keeps accurate timesheets for permanent employees. These illustrate that too much overtime is being worked, but there is not enough information about adequate remuneration. Regarding health & safety, there were several minor violations regarding chemical and fire safety. There is no systematic

complaints procedure. In the peak season, hand embroidery workers consistently work from home. Here, spot checks were carried out on the working conditions. Wages and working time regulations could not be satisfactorily verified. Although the employee survey indicated subjective satisfaction with the management and working conditions, the cooperation between ORTOVOX and the management is viewed critically and is, therefore, a focal point.

## ROMANIA

In December 2019, two audits were carried out in Romania. Both factories are subcontractors for one of ORTOVOX's new suppliers. One of the factories (ID: 10428) already produces goods for ORTOVOX. Their awareness and willingness to cooperate regarding social standards were considered very high. All of the required information was provided transparently and comprehensively. The involvement of employees in workers' rights showed room to improve, as no training has thus far been carried out and there is very little awareness. The wage structures are transparent and comprehensible. The wage level ranges from the statutory minimum wage to what was subjectively rated by the affected employees to be a living wage. The atmosphere between the workers and the management is trusting. However, the lack of a systematic procedure for collecting complaints was rated as evidence that internal communication is in need of improvement. Regarding health and safety, safety in electronics and on the machines was rated as good; however, the factory building exhibited considerable visual deficiencies in the form of cracks.

Therefore, the missing safety certificate must still be obtained.

For the second factory in Romania (ID: 14544), in which production is planned for 20/21, the audit was ultimately satisfactory. The management system was classed as being in need of improvement. Some information was contradictory and unverifiable (e.g. actual number of employees, and address differing between the location and business cards). But the management's willingness to cooperate improved noticeably over the two audit days. The employees seemed to be happy; many of them have worked there for over 15 years. There is an employee representative, who is independently selected and who negotiates wages for contracts. There was almost no overtime. If overtime does occur, it cannot currently be verified whether the additional pay prescribed by law is paid. Generally, the wage level for all employees is above the statutory minimum wage but below a living wage. Regarding health and safety, minor violations (e.g. concerning a lack of safety training) were identified.

## VIETNAM

In the 18/19 fiscal year, ORTOVOX and another FWF brand arranged for an audit of a backpack manufacturer (ID: 8499). The partnership with this supplier is generally characterized by a high level of cooperation and commitment. However, no conclusive evaluation regarding wages could be made during the audit. For this reason, a new mini-audit was carried out as a final examination and to verify the wages in the 19/20 fiscal year. All missing information was freely provided and the uncertainties were cleared up. Any overtime worked was correctly remunerated. However, it must be noted that the amount of overtime worked frequently exceeded the legally admissible level. This is a problem that continues to arise in Vietnamese production facilities. ORTOVOX has begun a dialog with the company about this.

## SERBIA

In the 18/19 fiscal year, an audit was carried out in a factory in Serbia (ID: 5586) with unsatisfactory results in transparency, wages and management practices. In some months, the wages of some employees were below the legal minimum. Since then, intensive cooperation and communication has created transparency in the inadequate areas. The possibility of the wage level falling below the statutory minimum is a result of the hourly-based method used for calculating monthly wages in Serbia. Using this method, sick days and vacation days are remunerated at a certain percentage of pay, as permitted by law. This practice could potentially lead to a low wage level. As a first step, ORTOVOX is setting a goal with this factory that applies to all wages, regardless of sick days and vacation days, so that at least the statutory minimum wage is met. The next step will be to increase wages to a target salary that is yet to be agreed upon.

# DETECTIVE, MEDIATOR AND ADVOCATE



**KATRIN BAUER**, Head of CSR (Jobshare) at ORTOVOX, is a qualified sociologist and started working in CSR while still at university.

Katrin Bauer has worked as a CSR officer in the Outdoor industry for over 10 years. Time to take a look back – and forward.



Our production facilities have also changed over the years. Firstly, 60% of them are now in Europe. Secondly, they have become far more professional regarding sustainability and social responsibility. The standard is so high that we can now concentrate on optimizing the details. Today, we see ourselves less as a monitoring body and more as a **SUPPORTER AND CONSULTANT**.

Of course, investigative audits are still performed. The independent auditors go through documents, look for anomalies, talk to a group of employees that is as diverse as possible and research the company's periphery. Although we might sometimes get annoying, our partner companies are seeing us more and more as a support. In a way, we're their advocates in-house at ORTOVOX.

The CSR team holds an intermediary position that requires our ability to engage in dialog. We lay our cards on the table and work together to clarify the situation from all sides – with the factories and with all ORTOVOX departments. We have **TO COMBINE ALL OF OUR SUSTAINABILITY GOALS WITH EVERYONE ELSE'S**. The art is in achieving a balance, a win-win situation. If we require a production facility to increase their investment in a certain area, then we also have to explain to our purchasers that it is difficult to keep prices lower. The marketing team then has to communicate the reason for the price to the outside world.

For me, it's still **ALL ABOUT THE PEOPLE**. That's my motivation. If I manage to improve the working conditions of a seamstress, then I have actually improved a human life. My original plan was to work for an NGO, but then I realized that working in a company would actually offer more leverage.

There have been a great number of huge changes over the decade. Customers' awareness, for one. A lot more questions, specific questions, are being asked. People **WANT TO KNOW** who produces the products and under what conditions. My wish would be that we reach the point at which customers are no longer willing to buy expensive products if they are not sustainable – which would force companies to produce sustainably if they wish to be profitable.

The year 2020 in particular has clearly shown us how right and valuable it was to follow our path with such fervor and consistency. In future, our conviction will become even more important – I'm sure of it. For us as a company, and for society as a whole. It's difficult to predict how things will develop in the next decade, but I'M **OPTIMISTIC** and very excited for the 10 years ahead.

## GUIDELINES FOR RESPONSIBLE PURCHASING PRACTICES IN TIMES OF COVID-19

ORTOVOX commits to fulfilling the following principles which were developed in cooperation with the Partnership of Sustainable Textiles. The recommendations for action reflect the present state of the discussion in the Textile Partnership and are to be further elaborated.

### HANDLING OF ORDERS AND RELATED PAYMENTS

- Orders that have already been completed are not cancelled and the agreed payment terms are met.
- For orders that are currently in production or for which material has already been purchased, cancellation is avoided as far as possible. If necessary, another use can be found for material that has already been procured.
- Late deliveries that result from the impact of the COVID-19 outbreak will not be sanctioned.
- New order forecasts are communicated to the supplier at an early stage and regularly updated. Lead times and capacities should be closely coordinated with tier 1 and material suppliers. Delays should be anticipated, especially when production starts again after a lockdown.

### IN DIALOGUE WITH THE SUPPLIER IT IS TO BE EXAMINED:

- How costs already incurred are covered when orders cannot be completed. At best, the company placing the order pays for material and wage costs.
- Where goods can be stored temporarily in case they cannot be delivered or

accepted at the moment, how costs can be split that may arise and what other alternatives are available to avoid extra costs (e.g. switching to slower means of transport).

This also applies to the transport of workers to and from the production site.

- Workers are informed about these protective measures and their rights and have access to worker / trade union representatives or other effective grievance mechanisms to raise concerns or complaints.

Suppliers comply with government measures.

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Suppliers comply with government measures.

## OUTLOOK

In order to avoid negative impacts on all actors involved, and in particular on workers in the supply chain, the current situation requires all parties involved to work in a spirit of mutual understanding and partnership, as well as close communication and flexibility. The COVID-19 crisis can only be overcome together. At the same time, the current situation underlines what must apply now more than ever and in particular for the upcoming future: Fair and cooperative relationships between buyers and suppliers form the basis for stable global supply chains. Against this background, the guidelines outlined here will be further developed by the members of the Textile Partnership to cover actions beyond the immediate time frame of the crisis situation.



# EVALUATION BY COUNTRY AND FACTORY\*

The audits were and are commissioned and supervised also by other members of the Fair Wear Foundation. In order to remediate the findings in the different countries, following measures have been taken by ORTOVOX and other brand members: Follow-up of CAP, on-site visits, regular dialogue via email and phone, collection of photographic proof for documentation of improvements. The following overview shows the results of FWF audits conducted in high-risk countries.

COUNTRY	DB#	1. Management	2. Working Time	3. Compensation	4. Child Labour	5. Forced Labour	6. Freedom of association and collective bargaining	7. Discrimination	8. Health and Safety	9. Environment	10. Legal binding employment relationships
Belarus	3012	●	●	●	●	●	●	●	●	●	●
China	3801	●	●	●	●	●	●	●	●	●	●
China	4561	●	●	●	●	●	●	●	●	●	●
Romania	14544	●	●	●	●	●	●	●	●	●	●
Romania	10428	●	●	●	●	●	●	●	●	●	●
Serbia	5586	●	●	●	●	●	●	●	●	●	●
Ukraine	3847	●	●	●	●	●	●	●	●	●	●
Ukraine	5361	●	●	●	●	●	●	●	●	●	●
Vietnam	10081	●	●	●	●	●	●	●	●	●	●
Vietnam	12268	●	●	●	●	●	●	●	●	●	●
Vietnam	4568	●	●	●	●	●	●	●	●	●	●
Vietnam	8499	●	●	●	●	●	●	●	●	●	●

● Minor non-compliance found and quickly resolved, or no problem found.  
 ● Major non-compliance found and quickly resolved. No recurrence and/or CAP in progress.  
 ● Major or critical non-compliance found. Recurring problems.

\* ORTOVOX-Bewertungssystem basierend auf den CAPs der FWF

## CHINA

In general, the audit results of the factories reflect known difficulties in the Chinese textile industry: there are only minor shortcomings in workplace safety and there are good management systems for monitoring the working conditions. Freedom of association in factories is frequently restricted, which is due to legal conditions in China. Overtime is a common problem. Wages for regular working hours do not meet the level required by local or international stakeholders.

## BELARUS

Belarus is classified as a high-risk country by the Fair Wear Foundation. However, our supplier there (ID: 3012) has very high working standards. There is merely a lack of a living wage, even though the statutory minimum wage is paid at the factory. ORTOVOX is intensely involved in the communication process with the factory.

## VIETNAM

Audits performed by the FWF revealed that payment of a living wage, excessive overtime, and shortcomings in workplace safety are the most frequent problems in Vietnam. Whilst safety-related shortcomings are quickly addressed, wages and overtime are complex, multi-causal issues that require an extensive overhaul. To this end, ORTOVOX regularly seeks dialogue with suppliers, other companies and organizations.

In addition to the Fair Wear Foundation, there are other trustworthy and exacting organizations and initiatives that campaign for better working conditions in factories. An example of this is the "Better Work Program" of the International Labour Organization (ILO). More information about this can be found at <http://betterwork.org/vietnam/>

The audits include interviews with workers, management and trade union representatives, and the factory and document inspections. As a follow-up, "Better Work" advisors visit the factory regularly. FWF and Better Work have been working collaboratively since 2017. This means that the FWF recognizes Better Work reports but obliges the companies involved to continue to engage in dialogue with the factories. The factory workers also have the opportunity to make use of the FWF complaint hotline.

## UKRAINE

Ukraine is classified as a high-risk country by the Fair Wear Foundation. Due to political instability, FWF has withdrawn from active support. In Ukraine, there is a relatively well-developed textiles industry in which goods are produced by many Western companies. A criticism that is frequently voiced is the low wages of the workers. The supplier (ID: 3847) has been producing for ORTOVOX since 2017, but the partnership with the superordinate producer has existed for over 10 years. The producer is distinguished by its high wages within the textile industry; these, however, do not meet the demands of international stakeholders for a living wage. The high level of both employee satisfaction and working standards should be emphasized.

## SERBIA

According to FWF, Serbia is a high-risk country. FWF is not active there. The country and, in particular, the Serbian economy are currently undergoing a protracted period of upheaval. Even though Serbia operates as a liberal market economy, the country is still struggling to cope with the historical burdens of its war-torn past and socialist market economy. Key problems in this regard include a weak infrastructure, a weak legal system and corruption. Textile manufacturing is an important industry sector in Serbia. Low wages are a particular risk factor. There is a high risk that workers in Serbia earn even less than the minimum wage. An audit conducted at the factory where ORTOVOX has goods produced (ID: 5586) established an extremely opaque wage system and unacceptable wage levels. Working together with another brand and the supplier, ORTOVOX was able to introduce transparency to the on-site wage system. The next step will now be to gradually increase the wages of all employees to a higher level and ultimately establish a collectively higher target wage. This will bring them continuously closer to a living wage and will also improve the working conditions of the people on site.

## ROMANIA

The Romanian textile industry is still one of the country's important economic sectors. However, for years now the factories there have struggled to survive due to a decline in the volume of contracts. At 20%, the difference between the statutory minimum wage and the living wage was judged to be relatively high and is, therefore, a risk factor in the Romanian textile industry. Health and safety risks can often be identified, in particular regarding building safety. Audits repeatedly revealed a lack of transparency and communication. FWF is active in Romania, which is classed as a high-risk country.

# OVERVIEW OF ALL SUPPLIERS

## LOW RISK

FWF DATABASE CODE	FACTORY LOCATION	1ST YEAR OF PURCHASE	PRODUCING FOR OTHER FWF MEMBERS	FWF QUESTIONNAIRE	FWF COLP POSTED	AUDITED OR LOW RISK	AUDIT SCHEME
8483	Poland	2010	Yes	Yes	Yes	Yes	ISO 9001
8484	Austria	1990	No	Yes	Yes	Yes	
3253	Germany	2014	Yes	Yes	Yes	Yes	
5846	Italy	2017	No	Yes	Yes	Yes	
9952	Lithuania	2016	Yes	Yes	Yes	Yes	
2881	Lithuania	2010	Yes	Yes	Yes	Yes	
10514	Lithuania	2013	Yes	Yes	Yes	Yes	
8510	Lithuania	2011	Yes	Yes	Yes	Yes	
13198	Lithuania	2018	No	Yes	Yes	Yes	
14248	Lithuania	2018	No	Yes	Yes	Yes	
14249	Lithuania	2018	Yes	Yes	Yes	Yes	
10080	Germany	2016	No	Yes	Yes	Yes	ISO 9001
14434	Lithuania	2019	Yes	Yes	Yes	Yes	ISO 9001, ISO 14001
15357	Lithuania	2019	Yes	Yes	Yes	Yes	ISO 9001, ISO 14001
8495	Hungary	2012	No	Yes	Yes	Yes	
10671	Hungary	2009	No	Yes	Yes	Yes	
10515	Hungary	2009	Yes	Yes	Yes	Yes	ISO 9001, AQAP 2110:2016
3845	Hungary	2009	Yes	Yes	Yes	Yes	ISO 9001, AQAP 2110:2016
8487	Hungary	2013	No	Yes	Yes	Yes	
8494	Hungary	2015	No	Yes	Yes	Yes	
11291	Latvia	2017	No	Yes	Yes	Yes	
5053	Latvia	2015	Yes	Yes	Yes	Yes	ISO 9001, ISO 14001, SA8000
5054	Latvia	2015	Yes	Yes	Yes	Yes	ISO 9001, ISO 14001, SA8000
3285	Latvia	2015	Yes	Yes	Yes	Yes	ISO 9001, ISO 14001, SA8000

## HIGH RISK

FWF DATABASE CODE	FACTORY LOCATION	1ST YEAR OF PURCHASE	PRODUCING FOR OTHER FWF MEMBERS	FWF QUESTIONNAIRE	FWF COLP POSTED	AUDITED OR LOW RISK	AUDIT SCHEME	DATE
4575	China	2019	Yes	Yes	Yes	Yes	FWF	Jun 19
3801	China	2011	No	Yes	Yes	Yes	FWF	Dec 19
10079	China	2016	No	Yes	Yes	No		
2997	Taiwan	2017	Yes	Yes	Yes	No		
12543	China	2017	No	Yes	Yes	No		
12268	Viet Nam	2017	No	Yes	Yes	Yes	FWF	Nov 20
10428	Romania	2019	No	Yes	Yes	Yes	FWF	Dec 19
15208	Romania	2019	No	Yes	Yes	No		
12673	Ukraine	2018	Yes	Yes	Yes	Yes	FWF	Okt 18
3012	Belarus	2011	Yes	Yes	Yes	Yes	FWF	Jun 19
15482	Belarus	2019	No	Yes	Yes	No		
4561	China	2017	Yes	Yes	Yes	Yes	FWF	Okt 19
3847	Ukraine	2017	Yes	Yes	Yes	Yes	FWF	Jun 18
5361	Ukraine	2018	Yes	Yes	Yes	Yes	FWF	Jun 18
15593	Romania	2020	No	Yes	Yes	No		
5586	Serbia	2018	Yes	Yes	Yes	Yes	FWF	Jun 18
10518	Viet Nam	2016	No	Yes	Yes	No		
3268	Viet Nam	2015	Yes	Yes	Yes	Yes	Better Work	May 19
4568	Viet Nam	2017	Yes	Yes	Yes	Yes	FWF	Mär 19
33335	China	2019	No	Yes	Yes	NO		
8497	Viet Nam	2010	No	Yes	Yes	Yes	Better Work	Aug 18
3919	Viet Nam	2018	Yes	Yes	Yes	Yes	FWF	May 17
8499	Viet Nam	2013	Yes	Yes	Yes	Yes	FWF	May 19
15229	China	2019	No	Yes	Yes	No		
10081	Viet Nam	2015	Yes	Yes	Yes	Yes	FWF	Okt 18

Listen to  
your inner voice.

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# ONE VOICE WORLDWIDE



**STEFANIE RIEDER-HAAS**, Head of CSR (Jobshare) at ORTOVOX visited our Tasmanian wool farmers, where she happened to learn about the devastating destruction of the world's second-largest rainforest, the Tarkine, located in the north of the island. Her inner voice immediately said: "this is something we must get involved in."

"On my 2019 trip to Tasmania, my original aim was to organize our roundtable with the sheep farmers, maintain our relationships and to be present during the audits (RWS). Today, ORTOVOX is closely linked to Tasmania. Over the years, our business relationships have developed into valuable friendships. We **SHARE THE SAME VALUES** when it comes to nature and animals – but also when it comes to people. Friendship is highly valued in Tasmania. People know, trust and help each other.

That's how I happened to be talking to someone on my tour who told me that this beautiful island is home to one of the largest, most **IMPORTANT RAINFORESTS** in the world, and which is being threatened by

large-scale deforestation for the mining and timber industries. The Tarkine is located in the north west and is invaluable in terms of the diversity of its flora and fauna – and as a giant green lung for our planet.

The incomprehensible destruction really hit me hard and it quickly became clear: We at ORTOVOX need to support the battle for the **PRESERVATION OF THIS UNIQUE GEM OF NATURAL HERITAGE**. Us, a South German brand, getting involved on the other side of the world? Yes. Not just because we feel so closely connected with this island, but also because everything is interconnected. Because what happens on this planet affects us all – no matter where. And because only together are we strong, across all borders."



Interview with the tree climber activists in the Tarkine.

## ORTOVOX WOOL PROMISE

As wool experts, we at ORTOVOX developed our own wool standard, the **ORTOVOX WOOL PROMISE**, which ensures strictly verified wool and a transparent supply chain. The OWP stands for the highest quality of animal welfare and sustainable economic management. Independent audits are carried out to review numerous indicators covering farm and land management, animal husbandry and welfare, and slaughter and transport. The OWP is based upon four pillars: personal relationships with farmers, animal welfare, the conservation of nature, and transparency of all products all the way back to their origin.



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## ORTOVOX TARKINE CAMPAIGNS

For every **ONLINE PURCHASE** not returned, we donate €5 to the **BOB BROWN FOUNDATION**, which is committed to the conservation of the Tarkine rainforest.

A donation of EUR 10,000 was invested in the development of the **TARKINE TRAILS APP**. It promotes soft tourism and, therefore, jobs that provide an alternative to the logger industry.

As a Summit Member of the EOCA, we generate even more attention for the cause.



SUMMIT MEMBER



Stefanie and Stefan of ORTOVOX (centre) and Julian and Annabel of Bibra (far left and right).

"The Tarkine represents a stunning area of Tasmanian wilderness, a large scale sanctuary for the rich diversity of creatures and plants that were here before us, a **HUGE CARBON SINK**, largely untouched by humans, that offers the opportunity to remain a pristine environmental bank for centuries to come. These areas are rapidly disappearing and as we 'develop' them for our short term gain we deplete our future and the future of our environment and ultimately the planet. **LET'S PAUSE AND THINK** beyond our need for immediate gratification and expansion and preserve this jewel for the nourishment and indeed **SURVIVAL OF AGES** to come."

Julian and Annabel of Bibra (OWP Farm Beafront)



## RETURN PARCELS POLLUTE THE ENVIRONMENT

For every parcel that is **NOT** returned, we donate 5 € towards the conservation of the Tarkine – an ancient Tasmanian rainforest threatened by logging.

- ✓ We send climate neutral via DHL GoGreen.
- ✓ We use shipping boxes made from 100% recovered paper.

More Information: [bobbrown.org.au](http://bobbrown.org.au)

# OBJECTIVES 2020/2021

ORTOVOX is planning to bring the issue of **LIVING WAGES** a decisive step forward in the 20/21 fiscal year. As previous efforts on the issue of ensuring a living wage failed for organizational reasons and due to COVID-19, we are currently working internally on an **OPEN COSTING TOOL**. This should facilitate transparent price negotiations across suppliers and thus advance the topic of higher wages in the sewing factories. Furthermore, in the course of the Partnership Initiative on responsible purchasing practices, which is being undertaken as part of ORTOVOX's Textile Partnership membership, internal training is being carried out to enable ORTOVOX employees to make informed decisions and thus further improve purchasing practices. The focus is upon the company's goal of retaining FWF **LEADER STATUS**, outlined in the ProTACT 2024 sustainability strategy.

The stakeholder dialog regarding the ORTOVOX WOOL PROMISE and animal welfare in particular is being expedited. The company would like to continue being classified and recommended as an example of best practice by esteemed organizations such as Four Paws.

As part of the company's **CLIMATE NEUTRALITY** goal, ORTOVOX is supporting the protection of the Tarkine rainforest. After the successful completion of the pilot project for calculating CO2 emissions regarding company sites and products, this will be gradually scaled up to include the whole product range in coming years. In light of this, reduction targets will be established for 20/21. This should expedite our goal of achieving 100 % climate neutrality by 2024 by means of reduction and offsetting.

Sustainability is playing an increasingly important role and is emerging as a key topic within the framework of **STRATEGIC MANAGEMENT**. For the very first time, a sustainability report is to be completed in accordance with the German Sustainability Code (DNK); it will be published at the start of 2021.

## GLOSSARY

<b>CAP</b>	Corrective Action Plan (catalogue of measures for improvement as part of the audit result)
<b>CSR</b>	Corporate social responsibility
<b>DNK</b>	Der Deutsche Nachhaltigkeitskodex ist ein branchenübergreifender Transparenzstandard für die Berichterstattung unternehmerischer Nachhaltigkeitsleistungen und kann von Unternehmen und Organisationen jeder Größe und Rechtsform genutzt werden.
<b>EOCA</b>	European Outdoor Conservation Association
<b>FOB</b>	Free on board (international commercial term)
<b>FWF</b>	Fair Wear Foundation
<b>HIGH RISK</b>	FWF follows a risk-based approach. Meaning that countries without the presence and proper functioning of institutions (trade unions, works councils, labour legislation and labour inspection), which can guarantee the compliance with basic standards, are considered "high-risk" countries.
<b>ILO</b>	International Labour Organization
<b>ISPO</b>	Internationale Fachmesse für Sportartikel und Sportmode in München
<b>LOW RISK</b>	The category low risk implies the presence of and proper functioning of institutions (see explanation above).
<b>OWP</b>	ORTOVOX WOOL PROMISE



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"Since October 2018, we have shared a top position in CSR as official job sharers. In this way, ORTOVOX practices social responsibility, specifically the compatibility of family and working life. We want to set an example for other companies on this topic, too."