



Reporting period July 2016 – June 2017

SOCIAL REPORT 2016

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Martin Riebel (Geschäftsführer)

FOREWORD

DEAR DEUTER FAMILY, CUSTOMERS, AND BUSINESS PARTNERS!

Our annual Social Report is always an opportunity to reflect on our activities of the past year and consciously set new goals and tasks. We can say that our efforts to sustainably improve working conditions at our long-time suppliers have led to positive changes. We will work with our partner Duke to implement the FWF Code of Labour Practice in the deeper supply chain. A first audit was conducted this year already at a printing press. Duke has been our partner since 1994 and produces our entire line of backpacks. Long-term and stable partnerships are important to us at Deuter because this allows us to positively influence working conditions on-site.

When our partners decide to explore new paths, we would like to go along those paths with them as long as they correspond with our values. Our supplier Bellmart, has been producing our sleeping bags for over 12 years now. The company decided to establish a new production site in Myanmar. Since we want to support our partners and because we are not interested in supplier hopping like many in the industry, we supported this investment and placed orders there. At the moment 76% of our sleeping bags are produced at the new site.

We are aware that the path we have before us in Myanmar isn't easy. The political change that brought about the first democratic elections since 1989 has established good premises to open the country for investments and create jobs

but unions and worker committees are only beginning to form and the experience the people have with working in large companies is rather small. Nonetheless we are convinced that we can build a strong base to ensure good working conditions in the long run by taking many small steps.

We here at Deuter have been making an effort to improve conditions for people and our influence on the environment ever since. We are taking this path step by step. I invite you to join us on this path a bit. I hope you enjoy reading our Social Report.

Your Martin Riebel

Ihr Martin Riebel

Managing Director

TWO MINUTE VERSION

In the fiscal year from July 1st 2016 to June 30th 2017 our main focus was on the new production location in Myanmar since all three factories of our partner Duke in Vietnam were audited in the past fiscal years. They also participated in FWF WEP trainings.

Deuter continued to work on implementing living wages and increase work place safety. In order to conduct audits of the deeper supply chain our supplier Duke in Vietnam participated in the advanced training of the FWF "Training on controlling risks of working with hazardous substances" in March 2017.

Our long-time partner Bellmart was able to relieve the strain on the site in Xiamen in China by investing in a new factory in Myanmar. All our sleeping bags with synthetic isolation are now produced in Myanmar. The factory in Xiamen/China was audited again in 2017 to check and verify progress in the area of working conditions.

In 2016 the Dutch NGO SOMO conducted a country-wide investigation on working conditions on Myanmar and published a report about their findings in December 2016. The investigations are based on interviews with workers from 12 different textile factories. They looked into payment of wages, the right to assemble, child and youth labour, over-

time and contracts amongst other things. The factory for clothes manufacturers of our supplier was also named in the report. Deuter reacted to the report immediately and stipulated an examination of the factory together with the Fair Wear Foundation (FWF) and other brands. It was conducted in January by the FWF unheralded.

Deuter submitted the first roadmap at the beginning of 2017 within the context of our membership in the German Partnership for Sustainable Textiles. It sets extensive goals in the areas of environmental protection, chemicals management, and social issues within the supply chain. The roadmap was scrutinised and accepted by an independent authority in terms of its feasibility and sense of purpose. In 2018 Deuter will report on the achievement of the goals.

*1 Worker Empowerment

*2 Non-governmental organizations

*3 Centre for Research on Multinational Corporations

ABOUT DEUTER

Hans Deuter founded his company in 1898 in Augsburg/Germany and was soon commissioned to supply the Royal Bavarian Post Office with postage bags and mail sacks. Today Deuter is one of the leading brands for backpacks, sleeping bags and accessories worldwide. 101 employees are working in the headquarters in Gersthofen near Augsburg and the brand is represented in 54 countries. In 2006 Deuter was acquired by the Schwan Stabilo Group – a family owned company with a tradition of 160 years.

We believe that “from little things big things grow” and are committed to efficiently reducing the negative impacts of our actions on man and nature step by step.



New Deuter Futura | 124 SL

KEY EVENTS 2016/17

- **BEST GRADE: "LEADER STATUS"**
in FWF's Brand Performance Check 2016
- **PUBLICATION OF THE REPORT
„THE MYANMAR DILEMMA“ BY SOMO**
on working conditions in sewing factories in Myanmar
- **ORGANISATION AND MODERATION OF THE FWF
INDUSTRY ROUNDTABLE 2017**
(ISPO 2017)
- **PARTICIPATION AT THE ROUNDTABLE OF EOG AND SOMO
ON MYANMAR**
Topic: Working conditions in Myanmar (OutDoor 2017)
- **PARTICIPATION IN THE FWF MULTI-STAKEHOLDER MEE-
TING AND THE ANNUAL CONFERENCE OF THE FWF**
- **EXCHANGE IN THE BSI EXPERT GROUP OUTDOOR ON CSR**
- **PRESENTATION OF THE NEW LIVING WAGE BENCHMARK
BY MARTHA AND RICHARD ANKER**
for Ho Chi Min City (VIETNAM)
- **PARTICIPATION IN SEVERAL WORKSHOPS AND MEETINGS
OF THE PARTNERSHIP FOR SUSTAINABLE TEXTILES**

THE PARTNERSHIP FOR SUSTAINABLE TEXTILES



The Partnership for Sustainable Textiles was founded in October 2014. Representatives from business, government and civil society aim at continuously improving the social, ecological and economic conditions along the whole textile supply chain in the textile and apparel industry. Deuter has joined the Partnership for Sustainable Textiles in June 2015.

The goal of the Partnership for Sustainable Textiles is to improve the social, ecological, and economic conditions along the entire supply chain of the textile and clothing sector by concentrating the expertise and resources of its members with corresponding purchasing power⁴.

The Partnership for Sustainable Textiles combines our engagement for working conditions in producing countries, environmental protection as well as animal welfare. At the same time it steps in where we as medium-sized business cannot make progress on our own. Projects like training of suppliers of the deeper supply chain, on which Deuter has no direct and too little influence, can be implemented together with the other members. On government level the basic political conditions should be improved in producing countries and a successful implementation of the Partnership for Sustainable Textiles should be ensured.

⁴ <http://www.textilbuendnis.com/was-wir-tun>

The Partnership for Sustainable Textiles is still you. Its members were asked to submit an action plan with precise goals for the single areas at the beginning of 2017 for the first time. 142 members submitted a road map. The multi-stakeholder-initiative has 148 members at the moment. 112 of them are in commerce and 21 from NGO'S. Five members are from standard organisations, two from unions, one from the government of Germany and seven are consulting members. In sum the partnership has a market coverage of about 50%. 50 members have left the Partnership either because of missing action plans, resignations, or bankruptcy (2 members).

Deuter submitted its first action plan in January 2017 within the framework of the Partnership. The roadmap was, just like all others, scrutinised and accepted by an independent authority in terms of its feasibility and sense of purpose as well as requirements. The plausibility check of our roadmap is concluded. The topics and emphasis of the Deuter Roadmap are social standards as well as environmental protection and chemicals management of the deeper supply chain.

Beginning in 2018 all members must publicly report about their actions plans and progress.

MEMBERS OF THE PARTNERSHIP FOR SUSTAINABLE TEXTILES

Associations

Government of the FRG

Non-governmental organizations

Standard organizations

Trade Unions

Members of advise

Companies

Basis of the information in percent

Source and more information:
<http://www.textilbuendnis.com/wer-wir-sind/mitglieder/>

DEUTER ABOUT THE FWF

We joined the Fair Wear Foundation (FWF) in 2011. The FWF is an independent organisation cooperating with companies and factories worldwide to improve the working conditions in the textile and garment industry, espe-

cially in low-wage countries. By becoming a member we are committed to the FWF's strict Code of Labour Practices.

FWF ABOUT DEUTER

We have found a strong partner in the FWF that greatly supports our efforts in improving labour conditions with independent auditors, important background information and a global network. And with the FWF's annual Brand

Performance Check our commitment stays transparent and credible.

THIS IS WHAT THE FWF SAYS ABOUT DEUTER IN ITS LATEST BRAND PERFORMANCE CHECK – THE ANNUAL REVIEW OF OUR EFFORTS TO IMPROVE WORKING CONDITIONS:

„DEUTER MEETS MOST OF FWF'S MANAGEMENT SYSTEM REQUIREMENTS AND GOES BEYOND SEVERAL OF THEM. DEUTER HAS 97% OF ITS SUPPLY CHAIN UNDER MONITORING MEETING THE 90+% THRESHOLD REQUIRED FOR MEMBERS AFTER THEIR THIRD YEAR OF MEMBERSHIP.“

Deuter has a stable, long-term relationship with all its suppliers as well as significant leverage, which allows them to work effectively on improving working conditions. While continuous efforts are still needed, the company has strong systems in place to prevent and remediate excessive overtime. It has made considerable efforts to ensure subcontractors are part of its monitoring.

Deuter received one complaint in its last financial year, which was handled according to FWF's complaint procedure. Preventive steps were implemented. Challenges remain to ensure independent worker representation as well as continuous remediation at smaller subcontractor locations.”



THE 8 LABOUR STANDARDS

www.fairwear.org

-  1 employment is freely chosen
-  2 freedom of association and the right to collective bargaining
-  3 no discrimination in employment
-  4 no exploitation of child labour
-  5 payment of a living wage
-  6 reasonable hours of work
-  7 safe and healthy working conditions
-  8 a legally binding employment relationship

DEUTER PRODUCTION IN NUMBERS

2 SUPPLIERS

5 PRODUCTION FACILITIES

115 DEUTER EMPLOYEES

212 EMPLOYEES IN CHINA

362 EMPLOYEES IN MYANMAR

4000 EMPLOYEES IN VIETNAM

Our partner Bellmart was able to take pressure off their production site in Xiamen by opening a new factory in Myanmar. By now all our synthetic sleeping bags are manufactured in Myanmar. Bellmart employs 212 workers in Xiamen as of August 2017. They produce all our down sleeping bags as well as bluesign® certified products. Deuter is using only 2% of the production capacity in Xiamen.

1. VIETNAM

COUNTRY PROFILE VIETNAM

Vietnam lies in the south-west of Asia and has an area of approximately 331 210 km².

The population density of Vietnam is one of the highest in the world but most of its 95 261 021 inhabitants live in the areas along the coast of the Chinese Sea and the Gulf of Tonkin.

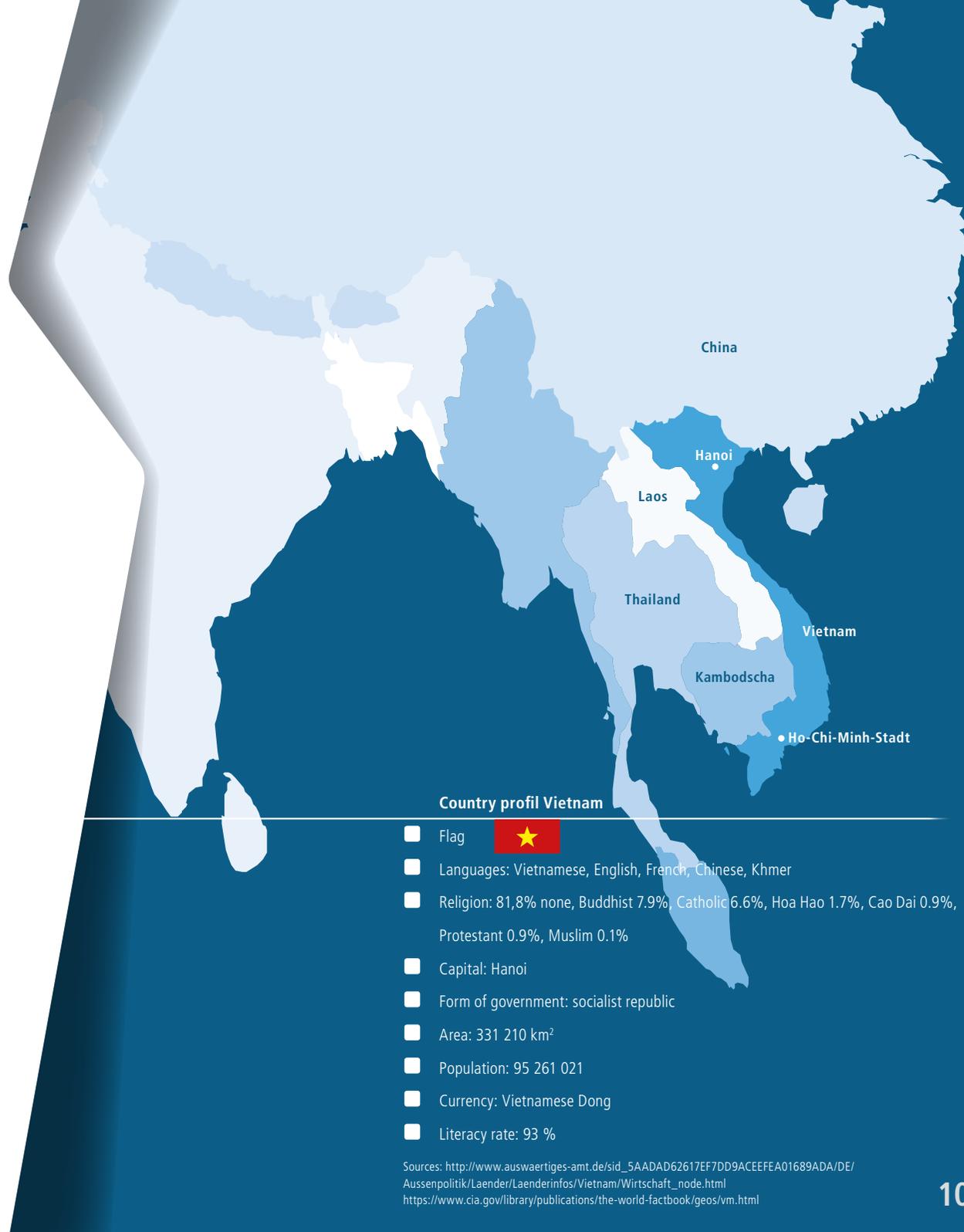
The government officially recognises 54 ethnic groups, with the Viet being the largest group with 85,7%.

The official language is Vietnamese but English is becoming more and more important, especially in larger cities like the capital Hanoi.

In some areas French, Chinese, and Khmer is spoken.

With a GDP of 198 billion US Dollars in 2016 it is considered to be one of the mid-income countries with \$2215 per capita.

The most important export goods are mobile phones and spare parts (34,5 billion USD), textiles and clothing (23,6 billion USD) and shoes (12,9 billion USD).



Country profil Vietnam

- Flag
- Languages: Vietnamese, English, French, Chinese, Khmer
- Religion: 81,8% none, Buddhist 7.9%, Catholic 6.6%, Hoa Hao 1.7%, Cao Dai 0.9%, Protestant 0.9%, Muslim 0.1%
- Capital: Hanoi
- Form of government: socialist republic
- Area: 331 210 km²
- Population: 95 261 021
- Currency: Vietnamese Dong
- Literacy rate: 93 %

Sources: http://www.auswaertiges-amt.de/sid_5AADAD62617EF7DD9ACEEFA01689ADA/DE/Aussenpolitik/Laender/Laenderinfos/Vietnam/Wirtschaft_node.html
<https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html>

PRODUCTION SITE VIETNAM

Since 1994 Duke has produced our entire backpack, bags and accessories collection and we are Duke's exclusive customer. Duke accounts for 90 % of our production volume. At the three sites close to Ho Chi Minh today altogether 4.000 employees (thereof 3.018 women and 982 men as of August 2017) assure the Deuter quality.

IMPLEMENTATION AND MONITORING 2016/17

In the fiscal year 2016/17 our main focus was on the new production facility in Myanmar since all three factories of our partner Duke were audited in the past years. FWF WEP trainings on work place safety also took place here. However corrective measures were implemented in the production and overtime and payment of wages were also examined. Overall we can report that the general satisfaction of the workers in Vietnam is very good. This also becomes apparent when looking at the return quota of 99,1% after the Chinese new year celebration, which is traditionally the time for a change of jobs in Vietnam. Surely and increase in real wages has contributed to this development ... (see diagram above)

DEVELOPMENT OF WAGES IN VIETNAM

In 2016 Deuter supported the calculation of the Living Wage Benchmarks by Martha and Richard Anker in Ho Chi Minh City. Our supplier also supported the development of this benchmark and participated in collecting the necessary data and investigation with a factory. (see diagram below)

LOHNENTWICKLUNG IN VIETNAM



LOHNSTEIGERUNG IN PROZENT IM VERGLEICH ZUR INFLATION



FWF COMPLAINT SYSTEM

There was no complaint in the past fiscal year.

TARGETS 2017/18

In the next fiscal year Deuter wants to target the deeper supply chain with Duke and conduct a social as well as an OHS audit at a subcontractor for prints in Vietnam. A first step towards this goal already took place in March 2017. Duke participated in the training course on controlling risks of working with hazardous substances of the FWF.



2. CHINA

COUNTRY PROFILE CHINA

The Chinese mainland is about as big as the United States with 9.5 million square kilometres, making it the fourth largest country in the world.

Its border has a length of 22.133km, making it the largest of all countries. Although China has the highest population count its population density is lower than that of most Asian countries.

The overall majority lives in the eastern part of the country. The Chinese government officially recognises 56 ethnic groups with the Han being the largest group with 92%.

The official languages are Chinese and Mandarin.

China is the largest economic power at the moment with a GDP of 11,2 trillion US dollars.

The most important export goods are computers (188 bio USD), broadcasting accessories (165 billion USD), phones (112 billion USD), integrated circuits (65,7 billion USD) and parts for office machines (45,4 billion USD).



Länderprofil CHINA

- Flag 
- Languages: Chinese, Mandarin
- Religions: 52.2% none, Buddhist 18.2%, Christian 5.1%, Muslim 1.8%, folk religion 21.9%, Hindu < 0.1%, Jewish < 0.1%
- Capital: Peking
- Form of government: Peoples republic
- Area: 9.597.000 km²
- Population: 1,38 billion
- Currency: Rinminbi
- Literacy rate: 96%

Sources: <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html>
http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Myanmar/Wirtschaft_node.html

MONITORING

In June 2017 the FWF conducted the second audit in Xiamen. Deuter arranged the examination in cooperation with another FWF member to monitor the progress since the last audit in 2014. The implementation of the resulting action plan will also be conducted in coordination with the FWF member.

Overall it was asserted that several improvements have been made in terms of workplace safety. It is seen critically that the workers still do not choose their own worker's council. A complaint system, which had not existed in 2014, was established by the management.

Over 50% of the employees do not know about the FWF despite the fact that more than 20% of the workers participated in a training to promote communication and to make the Code of Labour Practise more well known. The fact that the Living Wage (Asian Floorwage) has not yet been reached is also critical. However average wages for a 40-hour work week with special benefits are considerably above the average wages in the textile industry. An increase in the lawful minimum wage of 13% in 2017 is also planned. This also has a positive impact on production benefits and bonuses.

Overtime is also still an issue. Working hours of up to 69 hours in a 6-day work week were detected during the so-called Peak Season.

Deuter, however, has little influence here since our production capacity is only about 2%.

FWF COMPLAINT SYSTEM

There were no complaints in the last fiscal year.

GOALS 2017/18

In the fiscal year 2017/2018 we will continue to work on implementing living wages. The staff will be increased with employees that can show experience in HR and OHS and that can take care of CSR explicitly. We support training for this measure. Furthermore we will focus on conforming to legal requirements and insisting on sound and continuous documentation. After the audit we noticed that the employees were not well informed about the FWF and the Code of Labour Practise despite a WEP training in 2014. Therefore we will conduct another WEP training in Xiamen in cooperation with the FWF.



⁵ Human Resources (Personalführung)

⁶ Operational Health and Safety (betrieblicher Gesundheitsschutz und Sicherheit)

3. MYANMAR

COUNTRY PROFILE BURMA

Myanmar is a country in south-east Asia. It shares borders with Thailand, Laos, China, India, Bangladesh and the Gulf of Bengal.

It is about the size of Texas with an area of 676.578 square kilometres.

The majority of the population lives near the coast and along the Irrawaddy River.

The Burmese government recognises 135 indigenous groups.

The Burman represent the largest group with 68%.

The official language is Burmese.

The GDP of Burma was 68,3 billion USD in 2016. The most legumes, and Rice, timber, gemstones, clothing, and fishery products.



Länderprofil Myanmar

- Flag 
- Language: Burmese
- Religions: Buddhist 87.9%, Christian 6.2%, Muslim 4.3%, Animist 0.8%, Hindu 0.5%
- Capital: Naypyidaw
- Form of government: Republic
- Area: 676.578 km²
- Population: 56,9 billion
- Currency: Kyat
- Literacy rate: 93%

Sources: <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html>http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Myanmar/Wirtschaft_node.html

IN THE FOCUS STANDS THE PRODUCTION IN MYANMAR

As of August 2017 a total of 362 workers (288 women and 86 men) are currently employed in the factory of our supplier Bellmart in Myanmar. Deuter is sourcing 76% of our sleeping bags from the new location near the city of Bago. It was an eventful year for our production site in Myanmar. The factory was audited in May 2016 for the first time. By the end of 2016 a WEP model training of the FWF was held there. The following topics received special focus during training management and workers:

- Raising awareness of worker's rights with production workers, the supervisors / middle management, as well as top-level management
- Strengthening the capabilities of the factory to improve working conditions through a dialogue between employees and management and/or the effective internal complaint system
- Building confidence between the production workers in the framework of the complaint system of the FWF

In December 2016 we received a report from SOMO about working conditions in Myanmar. Twelve factories were investigated, among them the clothing production facility of our producer that also supplies other FWF member brands with apparel (production is separated into two sub-factories: sleeping bags and clothing). The report on the investigations held findings about alleged child labour. The FWF decided to treat this case as an official complaint on January 4th. FWF staff members interviewed the ALR (the organisation that conducted the worker interviews for the

SOMO investigation) and interviewed 30 workers off-site to gain further insights into the allegations. Subsequently an unheralded audit was carried out in the factory. A young female worker was identified during this inspection who was 15 years old. She had been working in the factory since April 23rd, 2015 and was 13 years old at the time of her recruitment.

The factories management team took the situation very serious and was concerned about the events. Stakeholders reported that the use of fake and borrowed ID-cards was commonplace in Myanmar. This was the case here, too. The worker confirmed that she obtained her ID from an official office where she gave a wrong account of her birth date. The FWF concluded that there was no deliberate child labour in the factory since the wage payments also did not differ from those of the older employees.

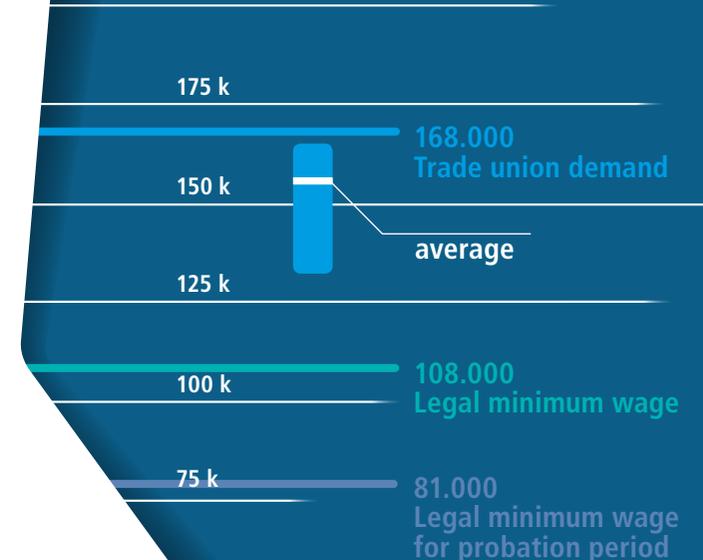
The FWF standing orders call for clear corrective measures in such a case. They have to be implemented by the FWF members and the factory immediately. The worker will receive vocational training until she is 16 years of age. She has further claim to her full wage. After that she will be - if she so wishes - employed in the factory again once a medical certificate of non-objection is presented. The FWF is monitoring this implementation and is in regular contact with the worker.

Human resources as well as management participated in a training on age verification to exclude such cases in the future. A sub-contractor for prints also participated in the training. Nonetheless this remains a critical topic in a coun-

CURRENT WAGE SITUATION THE PRODUCTION FACILITY IN MYANMAR

Topical wage situation 48h-week without extra hours with bonus for seamster and seamstress

currency mmk
200 k



try that is still working on establishing appropriate administrative infrastructures.

MONITORING

In May 2016 an audit took place at Bellmart in cooperation with two other FWF member companies. An orientation programme for new employees was penned and amended through several trainings in the scope of the Corrective Action Plane (CAP) after the audit. In addition every employee received a handbook featuring all the important information regarding the FWF and Code of Labour Practise as well as a summary of workers rights. Deficits in labour safety were corrected gradually. The measures of the CAP are therewith alleviated to the greatest extent possible. The Deuter CR and production teams as well as management visited the factory before the first production cycle and several times in the following years before. The factory was audited in May 2016 as reported. Deuter's CR manager was also present during the audit. None of the three auditors was able to detect excessive overtime or child labour.

COMPLAINT SYSTEM)

The SOMO report was assessed as an official complaint by the FWF. The respective corrective measures are being implemented at the moment (see chapter 3).

ZIELE 2017/18

We will further support Bellmart with training in the fiscal year 2017/2018. Special stipulations will be implemented in Myanmar like the release of the wage structure. The realization of an improved age verification system for new



employees has high priority. Furthermore, workplace safety, living wages, and overtime will continue to be focus of our observations and will be improved in the future.

MILESTONES

- 2006 Founding member of the European Outdoor Conservation Association (EOCA)
- 2008 Deuter becomes bluesign® system partner
- 2011 FWF membership, New CR manager position
 1. FWF audit at Duke, Duke becomes bluesign® system partner
- 2012 FWF audit at Duke (Hoc Mon, Count Vina)
Bellmart becomes bluesign® system partner
- 2013 Workplace Education Programmes (WEP) of the FWF at Bellmart
- 2014 FWF audit at Bellmart, OHS training and audit at Duke (Hoc Mon)
FWF verification audit at Bellmart, „Leader Status“ in the FWF's Brand Performance Check
- 2015 FWF Best Practice Award
- 2015 Member of the „Partnership for Sustainable Textiles“
- 2015 WEP and Audit at Duke
- 2016 Audit at Bellmart Myanmar
- 2016 Pilot training of the FWF WEP at Bellmart Myanmar
- 2017 Training on age verification and child labour at Bellmart Myanmar



**AND OF COURSE PLEASE DO NOT HESITATE
TO CONTACT US IF YOU HAVE ANY
QUESTIONS OR QUERIES:**

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